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REDRAWING THE POVERTY LINE: IMPLICATIONS FOR FIGHTING HUNGER AND POVERTY IN AMERICA

HEARING

BEFORE THE

SELECT COMMITTEE ON HUNGER
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, OCTOBER 4, 1990

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REDRAWING THE POVERTY LINE: IMPLICATIONS FOR FIGHTING HUNGER AND POVERTY IN AMERICA

THURSDAY, OCTOBER 4, 1990

HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON HUNGER,
Washington, DC.

The committee met, pursuant to call, at 9:30 a.m. in room 2222, Rayburn House Office Building, Hon. Tony P. Hall [chairman of the committee] presiding.

Members present: Representatives Long, Emerson, and Smith of Oregon.

OPENING STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. HALL. Good morning. Just last week the Census Bureau released its poverty statistics for 1989. They show an overall poverty rate of 12.8 percent, about what it was for 1988. This means that in both years about 31 million Americans lived in poverty. What is most shocking, though, is that children continue to be the poorest segment of our population. One out of every five kids lives in poverty. And the rate is even worse among black, hispanic, and native American children.

We are here today to examine how these rates, as shameful as they are, mask the real depth of the problem. Thirty-one million is millions short of what the American people and many scholars think about the number of poor Americans. New studies show that an additional 13 million Americans live in poverty. Thirteen million hidden poor. With these additional poor, one out of every five Americans live in poverty.

Scholars and the American people conclude that the Census Bureau rates are low because they are based on 35-year-old assumptions—assumptions that say that things like electricity, plumbing, and a telephone aren't necessary for poor people. Assumptions that say housing costs haven't soared, or that child care isn't necessary, or that our living standards haven't changed. In other words, these assumptions come from the days of Ozzie and Harriet, not Dan and Rosanne Connor.

Measuring poverty, therefore, isn't just statistics. Ultimately it is about values. It means making judgments about the well-being of the poor among us, judgments about the bare essentials of life. And when the standard is too low, a lot of people don't get the help they truly need.

Few want to deal with the extent of poverty in America—it is hard to redraw the line without the numbers escalating. But this committee has a responsibility to deal with the reality of poverty and consequent hunger in America. That must be our starting point. My hope is that a better understanding of our poor, beginning with an accurate count, will lead to a new sense of just how urgent our fight against hunger and poverty in America really is.

It is important to look at the technical aspects of measuring poverty. The Joint Economic Committee has done this, and the National Academy of Sciences may review this issue, but it is the human consequences of poverty measurement that concern me. That is why we are here today.

We have an impressive list of witnesses today who will discuss the poverty line. They will also give the committee some recommendations for improving national measurement. By doing so, they will help the committee achieve its task of eradicating hunger and poverty in America.

We are going to have two panels today. I would first like to introduce the first panel, and I would like for the three of them to come up and take their seats in front of their name tags that are at the front table. Ms. Mollie Orshansky, Ms. Patricia Ruggles, and Mr. William O'Hare, please come forward and take your seats.

Thank you.

In the mid-1960's Mollie Orshansky became the center of national attention by defining, for the first time in our history, a poverty level. Her research is still the basis for our measurement today. Ms. Orshansky is now retired after a long, productive career with the Social Security Administration and other agencies throughout the Federal Government.

Ms. Ruggles is a senior research associate at the Urban Institute. She is currently on leave serving as a senior economist with the Joint Economic Committee. She is the author of Drawing the Line, Alternative Poverty Measures and Their Implications for Public Policy, which was published this year.

Mr. O'Hare is the Director of Policy Studies at the Population Reference Bureau here in Washington DC. He holds a Ph.D. in sociology from Michigan State University and has written extensively on analyzing socioeconomic data. Mr. O'Hare is the coauthor of Real Life Poverty in America: Where the American Public Would Set the Poverty Line, which was published this year as well.

Before we proceed, my colleague and Ranking Minority Member on the Select Committee on Hunger, Mr. Bill Emerson, has come into the room, and I don't know if Bill has a statement.

STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. EMERSON. Mr. Chairman, I do have a statement, but due to my tardiness I would just ask permission to put it in the record. I apologize for being late. We had to have a meeting of subcommittee chairman and ranking members of the Agriculture Committee this morning, and that is where I have been, so I apologize for being late. I ask permission to submit my statement for the record and welcome the witnesses.

[The prepared statement of Mr. Emerson appears at the conclusion of the hearing, see p. 32.]

Mr. HALL. It will be submitted. I thank you for being here, Bill. I understand the delay. It is a difficult day for us. The budget is coming up for its first true test today. It is going to be a difficult day. We could be interrupted a couple times during the course of this hearing on roll calls because of caucuses, et cetera, but we will try to be very diligent.

To move this committee hearing along, we would ask that you would keep your remarks short. All of your prepared remarks will be part of the record without problem. If you kind of—if you could sum up or if you want to read part of your statement, that is fine, but there are two panels, and we just want to keep it flowing and get out the information that we really need to know to try to understand how we have measured poverty since the 1950's and what we should do for the future.

So, with that, I would like to start with Mollie Orshansky and then go right down the line with Patricia, and then Bill.

STATEMENT OF MOLLIE ORSHANSKY, AUTHOR AND FORMER EMPLOYEE, SOCIAL SECURITY ADMINISTRATION

Ms. ORSHANSKY. I am trying to respond to some of the debate on who is poor. Why do we count them or not count them? I wish we could spend more time on what to do about them than on how to count them. I will say, first, what I would say at the end, because that, to me, is the real issue.

Nobody said, nobody should think, nobody should expect that the numbers we have or any numbers you could come up with on how many are poor and who is poor would be perfect. First, we don't have the information we need to make such a distinction.

Second, poverty as I assume we speak about it here, is not some intellectual or scientific concept. I wish it could be. It is an issue of public policy, which in plain English describes what we as a compassionate society could agree is the minimum level of living—not subsistence, that is not good enough for America—for every family and particularly every child—because I love children better than people, and the consequences of their being poor may last for years to come.

What is the minimal life style—the amount of money, the gifts, the practices, the homes, the education, the health, that can make them feel they are a part of America? That is not something, because it is way above any scientific definition of subsistence in this wonderful country. It is not something that you work out with a slide rule.

It is something that requires a consensus, a philosophy and public policy and, more important than anything else for people like you in this room, it means determining what is within reach of what is practical to achieve and reasonable to expect. How much can we ask for and enact into law that will not make John Q. Public hold up his hands and run away?

That may sound very simplistic, but that is the way it is. I think I know that more now than when I boldly and bravely drew the original poverty line, and not because it was then an exact count.

It couldn't be, even in terms of the accuracy of the numbers. We now get them once a year and we use last year's price increase to adjust the income for the next year. We are not taking account of changes in individual family composition and structure or in world events, so even if the numbers were right when we collected them, they could be wrong when we tried to use them.

But I worked for the Social Security Administration, dating from the early days of the passage of the Social Security Act. One of the glories, I think, of our achievement. They were interested and were willing to explore research on economic well-being I thought, fool that I was, that if you know the truth, you can point out the vulnerable groups again and portray them in a way that makes them seem real and living. You know, they might not have enough to eat if they pay the rent. Today even if they could pay the rent, they may not be able to find a place to live.

Programs will change, things will be done. Well, it is now 27 years and I am still waiting. As I will indicate, we at SSA have tried to initiate changes. Few changes ever got made in this fortuitously accepted "poverty standard," fortuitous because it happened to come out when I did not know it—when the Kennedy Administration and then later the Johnson Administration were, for their own good reasons, thinking of declaring a war on poverty. What I came up with just happened to fit into the order of magnitude of numbers, both with people and money, that they were ready to work with. And they talked about it in ways which sounded better than "my utility function is not independent of your utility function and opportunity costs".

We kept asking for changes, and we didn't get them. I was sad then and I am sad today: I am sorry that the suggestions which are being made for change represent quick fixes, rather than new ideas. But nobody is telling me or promising me that if you change the line you will at least try to do something at the same time that we must do.

Even with the numbers we now count, our programs are not reaching the people, particularly the young people. We have programs for the elderly. They are not perfect, but they are better than anything for any other population group. For the children, for the young people, for the mothers and our increasing social problems with single-parent families, we still are no where near coming close in reaching even those that we now count poor, so you will forgive me if I am not as enthusiastic as I should be about counting more. I would just like for a moment, and with apologies or gratitude to my Latin teacher say, way back, *sic transit gloria mundi,* which if anybody doesn't know, means that is how the glory goes, down the drain.

On September 3rd, this year in the New York Times—and that is really what got me to come—someone, and I will give you his name, Jason DeParle from the New York Times, wrote a nice article on "the rising debate on poverty: The question is, who are the poor?" OK, so I read it. And it goes on, and the Administration recently completed a study, and it goes on, and then it says "the current formula for estimating poverty has its quirky origins in the work of Mollie—and he spelled my name wrong, Orshansky, a then obscure civil-servant who began researching poverty in the early

1960's as part of her work for the Social Security Administration, and since then those original figures have simply been raised annually to account for inflation."

Well, with all due respect to Mr. DeParle and anybody else here, and I don't think it is just vanity. I resented the slur, not just for me, but for all the other obscure servants that are around here, the ones who serve you and serve the Secretary and serve anybody else who needs information: who does he think does these things? I don't want anybody to think just because some civil servant, or even Pat Ruggles who is now for the moment the civil servant, produces something that isn't worth it.

There was a conference of journalists at which somebody wanted to know something about the origin of poverty, and I talked to them, and there I was coming up with the statement that I never meant this to be used for operating purposes. I never meant it to be an official poverty line, and I wish I hadn't done it.

The one big change we got was to a consumer price index in 1969 when the poverty line was made official for "statistical purpose." That doesn't mean it was derived statistically. It means it was to be used for counting purposes. When somebody asked me once,"What do you get if you are poor? Do you get all this money?" I said,"No, if you are lucky you get counted!" and that is still what happens.

The only change we, my boss, Mrs. Ida C. Merriam, was able to get from the Office of Management and Budget and from the Council of Economic Advisors that day in 1969. They also said it was the official line and it was going to be published by the Census Bureau rather than SSA every year. I found the other day, and this is not vanity, just a spare, a clipping I had, I saved. It is yellow. I am going to save it for my estate and my epitaph, from the New York Post, on Saturday, April 4, 1970. It is by William Eaton, whom I—it was in the Evening Star, but I don't have a copy of that—whom I am proud to say 2 years later won a Pulitzer Prize for reporting, but not for writing about me.

And he goes on talking about this graying middle-aged woman who is the prototype of the Federal civil servant and so forth, and I am sensitive and I am brilliant. And finally it says, this is published April 4, 1970, in the bureaucratic sense I am skipping—she had won a magnificent victory. Her work was enshrined in Circular No. A-46, et cetera, circulated to all Government agencies.

Typically, however, she was more concerned with people than with protocol on poverty. The Budget Bureau's action, she says, has disadvantages in that it tends to freeze the poverty line despite changes in buying habits and changes in acceptable living standards, and then I gave them what I thought the real poverty line should be in terms of 1969 price increases and adjustments, and then I went on, I don't think the figure should be used to determine eligibility for anti-poverty programs.

"She thinks it is difficult to be so precise about what is often a state of mind. If money alone will not solve the problem of poverty, it is still true that without it nothing else will avail much, either." When I saw that, I was real proud of myself because I am sure I wasn't the only one who thought this, but I don't remember very many people saying it, and I don't see very many people worrying

about the same thing happening again, to any new or changed standard we develop.

Mr. HALL. If you could finish up, I could listen to you all day. I think it is tremendous what you are saying. We want to get to some questions with you later on. We are going to need to move on with some of our other witnesses.

Ms. ORSHANSKY. OK. I just want to say two things: In October 1988, I wrote a commentary on the original poverty measure, for the Social Security Bulletin and I had to say that the difficulties with the original measure remain unresolved through most were acknowledged from the outset.

The existing database from the CPS still has income before, not after taxes, so we don't do right by the working poor. The price adjuster we use doesn't necessarily apply to the poor, and we still don't have one that does. Those are things we have always known, and I just want to mention two things because I know they are coming up for discussion in these hearings.

The fact that we do not have regional or other kinds of geographic cost of living adjustments is not an accident. It is because there is nothing we now have that can measure them, and determining poverty levels by need has serious limitations.

One is what kind of a place do they live in now and what kind of income do they have so that they think these are the things that should be enjoyed. We don't have anything about what it costs for the same thing or equivalent things from one place to another.

With all due respect, if you ask me what income I think you need, I might be generous and say it is as much as I do. I probably would say it is a little less, but if you don't ask me the question of the level for you or someone else that I would be willing to be taxed for to maintain for you, you may well be getting the wrong answer. We have just recently had some experience with catastrophic health insurance which illustrates that dramatically.

So I want to say again, we need change, but let's try this time not to do it as I did, a quick fix in the hope that while people are looking for something better, somehow things will get done. I hope that along with this work will go some attempt to bring, for instance, the welfare programs for mothers and children, the AFDC Program which in almost no State, I think I could say, comes up to the poverty line, and in many States is so pathetically inadequate below anything that it is cruel, and I don't want us arguing. Have we forgotten that the Federal Government foots much of the bill?

Moreover, while we need better programs to help the poor, we must remember that our real job is not just to afford the designated poor an exit from poverty, but to keep vulnerable people—minorities, women, children, sick people, the elderly—from falling below what is a decent standard to begin with.

But let me tell you something, for a person to need those programs means that there is still poverty here. They are not "poor". In my country and my philosophy, and I hope yours, we want to help those in need. But we expect and hope that people will be able to get enough training and enough help so that they can earn their own living and have enough even for the dignity of self-supporting retirement.

[The prepared statement of Ms. Orshansky appears at the conclusion of the hearing, see p. 34.]

Mr. HALL. Thank you. Patricia Ruggles.

STATEMENT OF PATRICIA RUGGLES, AUTHOR AND SENIOR ECONOMIST, JOINT ECONOMIC COMMITTEE

Ms. RUGGLES. I am happy to be here today to testify on poverty measurement and its consequences for programs to fight hunger and poverty, and I commend this committee for its consideration of this important topic. With your permission, I would like to submit my written statement to be included in the record, and I will summarize it here.

The poverty measures we use shape our perceptions of economic need and of the characteristics of those who are most deserving of our help. These measures are vital in setting public policy goals and in assessing public programs, so it is imperative that we devise a poverty standard that it as meaningful and as realistic as possible. A complete review of the official poverty measure is long overdue.

As Mollie pointed out, most of the attention given to poverty measurement has focused on measuring the incomes of the low-income population, and specifically on whether to count benefits received in kind rather than in cash. This is an important question, which I will discuss later, but it is not the most important issue, in my view. An even more basic issue is the method we choose to draw a specific poverty line and to update it over time.

As Ms. Orshansky has testified, she originally set her poverty thresholds using minimally adequate food budgets for families of various sizes and types that had been calculated by the Department of Agriculture. She simply multiplied these by a factor of three, on the assumption that food typically represented about one-third of total expenditures. This one-third estimate, in turn, came from a 1955 food consumption survey. These scales are still the basis of today's official poverty thresholds.

Ms. Orshansky's benchmark of about $3,000 for a family of four in 1963 was a reasonable starting place in measuring poverty in the United States. Starting with this single threshold, however, it is possible to derive a number of different thresholds today, depending on the methods used to update the measure for change over time.

Why do we need to adjust poverty thresholds for change over time at all? The most obvious answer is because prices change. An amount of money that was adequate for a family in 1969 would buy far less 10 years later.

Prices, however, are not the only things that change over time. People's incomes and family structures also change, and so do the goods and services that are available for consumption. Consumption patterns have changed significantly since 1955. For example, fewer families had child care costs, and the relative price of housing has increased. In 1955, the average U.S. family spent about one-third of its income on housing. Today, it is about 42 percent.

All of these changes contribute to changes in minimum family needs over time. As a result, any given fixed "market basket" of

necessary goods will eventually become outdated, as both consumption patterns and the structure of family needs vary over time.

Over short periods of time, even as much as a decade, indexing thresholds for price changes may be perfectly satisfactory. But over a longer period, the goods available will change almost beyond recognition. A century ago, for example, few households had indoor plumbing or electricity.

A set of minimum consumption needs established in 1890 and indexed for changing prices alone would exclude such goods, even though they are now considered basic needs. Even the current U.S. standards, based on 1955 consumption data, implicitly exclude many goods—such as the telephone—that have become common among lower-income households only in the last 35 years.

Shifts in both prices and consumption needs must be considered in defining the market basket of basic goods that underlies any absolute definition of minimum needs. Further, as long as there is some real economic growth, incomes will generally rise relative to prices; so if poverty thresholds are adjusted only for prices, they will fall farther and farther behind average standards of living.

All of these factors lead to the conclusion that indexing poverty thresholds for price changes alone over very long periods of time, as the official measure does, does not offer a very realistic measure of changes in minimum needs.

Adam Smith wrote 200 years ago, that poverty is the lack of those necessities that the "custom of the country renders it indecent for creditable people, even of the lowest order, to be without." In the United States today, the official poverty thresholds are used to make very basic choices about who will receive help and who will not. Under these circumstances it is particularly important that these thresholds should in fact allow consumption of those goods that "the custom of the country renders it indecent * * * to be without."

If the current official measure is not adequate, what alternatives are available? As early as 1968 the Social Security Administration, then Mollie Orshansky's employer, proposed updating the poverty line by using new data on food consumption to estimate the share of family budgets going to food.

Data from the 1965 food consumption survey indicated that between 1955 and 1965 the share of the average family's budget going to food had declined from about one-third to about one-fourth. If these data had been used to update the poverty line, therefore, the 1968 Department of Agriculture food consumption guidelines would have been multiplied by four rather than by three, resulting in a considerably higher poverty line.

Food consumption has continued to decline as a share of family budgets, and if this same methodology were used today it would imply a multiplier of almost six, and a resulting poverty line that would be almost 70 percent higher than the official poverty line. For example, for a family of three in 1988 the poverty line under this measure would have been $15,945 instead of the $9,435 that it was under the official poverty measure.

Realistically, however, food is not the only necessity that families must purchase, and prices and consumption patterns for different goods may change at different rates. Therefore, a measure based on

a more representative sample of basic goods will track these changes better than a relatively crude measure based on one good alone, even if that good is something as important as food.

Today we have the data to construct a more complete market basket of necessary goods, and to update that market basket to reflect changes in consumption patterns and in community living standards. constructing and updating such a market basket is a job for experts. However, to indicate the general range of such a measure, I have calculated an alternative based on housing costs.

This measure is just as approximate as Mollie Orshansky's original measure—its purpose is simply to illustrate that any consumption-based measure will be substantially higher than the official measure. And indeed, this measure—like the one based on an updated food multiplier—results in poverty thresholds that are over 50 percent higher than the official ones—or about $14,530 for a family of three in 1988, for example.

Alternative poverty thresholds can have very different implications for measured poverty rates—in general, the higher the threshold, the more people who will be counted as poor. Even fairly small changes in thresholds can have relatively large impacts on measured poverty rates and even on trends in poverty.

Please look at table 1. You will see that, under the official poverty measure, poverty rates appear to have declined substantially since the recession of the early 1980's, when they peaked at 15 percent. By 1988, this estimate had fallen to about 13 percent.

Poverty rates are substantially higher under the two consumption-based standards. And they decline relatively less over the past decade. Under the standard I have calculated using housing cost guidelines, the 1988 poverty rate was about 23 percent, and the 1982 rate was about 25 percent. Under the standard calculated using an updated multiplier for food costs, the poverty rate was between 25 and 26 percent in both those years. In other words, using either of these consumption-based measures about one American out of every four was found to be poor during the 1980's.

Table 2 shows the impacts of these alternatives on the composition of the poverty population, that is, who is poor. Under the official threshold, the poverty rate for the elderly is well below that for all persons—12 percent for the elderly compared to about 13 percent for all persons in 1988, for example.

This difference would disappear if the official poverty thresholds for the elderly were the same as those for the elderly were the same as those for the nonelderly. They are not—the official thresholds for the those over 65 are arbitrarily set about 10 percent lower. Under the two alternative measures, however, poverty rates for the elderly are actually higher than those for the population as a whole, even with this 10 percent discount in their relative thresholds. Using the updated food multiplier approach, for example, about 32 percent of the elderly would have been counted as poor in 1988.

This shift in relative poverty rates has important implications for public policy. One of the great antipoverty success stories of the past two decades has been the decline in poverty rates for the elderly. Some analysts have argued that as the relative position of the elderly as improved, a smaller proportion of our resources

should be directed into programs serving the elderly. As seen here, however, the degree of improvement in the relative status of the elderly is quite sensitive to the specific set of poverty thresholds used.

The relative poverty status of other population subgroups can also be affected. Poverty rates for children, for those in female-headed families, and for nonwhites, for example, are always well above those for the population as a whole, but the gap does narrow slightly—at least in percentage terms—as thresholds rise.

In general, as poverty thresholds rise the population in poverty becomes more like the population as a whole. Conversely, a threshold—like the official measure—that is fixed in absolute terms will gradually come to identify a narrower subset of the population as poor.

Being identified as "poor" or "not poor" does not normally make the individuals involved any better—or worse—off, since most government benefit programs have eligibility standards that are not tied directly to the official poverty measure.

In fact, the two major programs that do use a variation of the official measure in determining eligibility—the Food Stamp Program and the Medicaid Program—both use cutoffs that are substantially higher than the official poverty guidelines. In the case of food stamps, families with incomes below 130 percent of poverty are eligible, and in Medicaid eligibility has recently been extended to mothers and young children in families with incomes below 133 percent of poverty. These higher eligibility thresholds are perhaps an implicit acknowledgment that our current official poverty thresholds do not represent a realistic minimum standard of consumption.

A shift in poverty rates and in the apparent composition of the poverty population may also have some political consequences. As the characteristics of the poverty population diverge farther from those of the typical family, the poor are likely to become more isolated politically, and to be seen as an underclass whose problems are principally caused by their own aberrant behavior. This perception may in turn undermine support for programs designed to combat poverty.

Probably the single most important aspect of a poverty measure, in terms of its impact on public policy, is the proportion of the population that it suggests to have inadequate levels of consumption. For that reason, my discussion today has focused on this aspect of poverty measurement.

After more than 25 years of price adjustments alone, our existing thresholds no longer provide a reasonable measure of minimum consumption needs, and so revision of our system of poverty thresholds is clearly the most pressing priority in revising the U.S. official poverty measure. Before closing, however, I would like to briefly touch on some other problems with the current measure.

A second major priority in revising poverty measurement in the United States is the re-examination of our system of adjusting thresholds for differences in family needs across families of different sizes and types. The adjustments for additional people across family sizes and types are extremely irregular and appear to be without any theoretical or empirical foundation. Re-estimating

these needs by family size directly would certainly be the preferred approach, but failing that the curve could at least be smoothed out, so as to provide similar-sized adjustments for each additional person.

Poverty thresholds for the elderly are currently set about 10 percent below those for the nonelderly. This differential arose from the assumption, in the Department of Agriculture's food budgets, that the elderly have different caloric needs. But the elderly have higher needs in other areas, and there is no strong evidence that overall needs decline with age. At this point, unless new evidence on differences in consumption needs can be obtained to back it up, this differential poverty line for the elderly should be abolished.

On the other hand, we already have strong evidence for differences in price levels by region and, to a lesser extent, by urban versus rural residence. Given the size and persistence of these differentials, the time has come to consider incorporating adjustments for them into our poverty thresholds.

In defining income, we should move to an after-tax basis for measuring income, and we should also incorporate cash-like in-kind benefits such as food stamps into our measure of disposable income. Less fungible forms of in-kind benefits such as medical care should not be included in income for the purpose of measuring poverty, however.

Although these benefits are valuable in themselves, it is not clear that they contribute to minimally adequate levels of consumption for other goods. Under a measure that counted Medicaid benefits as income, for example, a single elderly person receiving Medicaid would not be poor in New York City even if he or she had no cash income at all—an obvious unrealistic result.

Finally, we now have the data to consider assets and other resources in measuring poverty. Particularly if we start to produce some statistics that consider spells of poverty based on shorter accounting periods, as is possible with our newly available longitudinal data, it would be useful to consider ways to include asset data in our assessment of poverty status on a routine basis. At a minimum, regular publication of data on the asset holdings of the low-income population would help us to judge the severity of the remaining unmet needs of the poor.

It has now been more than 25 years since Mollie Orshansky's original work on measuring poverty in the United States was published, and the data underlying that work are now 35 years old. The standard Ms. Orshansky devised was reasonable, given the data and tools she had at hand, and the regular publication of poverty statistics based on that standard in the years since then has proven invaluable to policy makers and analysts alike.

Nevertheless, many changes in both our society and our data resources have occurred since the early 1960's. It is past time for an overhaul of our poverty standards to bring them into a alignment with today's world.

[The prepared statement of Ms. Ruggles appears at the conclusion of the hearing, see p. 38.]

Mr. HALL. Mr. O'Hare.

STATEMENT OF WILLIAM O'HARE, DIRECTOR, POLICY STUDIES, POPULATION REFERENCE BUREAU, INC.

Mr. O'HARE. Thank you, Congressman.

I would like to thank the members of the House Select Committee on Hunger for giving me the opportunity to present my views on the shortcomings of the Government's official poverty line.

The members of the committee are to be commended for taking the initiative to hold such a timely hearing. My message here today is very simple. I believe that the Government's official poverty line is inconsistent with the perception of poverty held by the American populace.

The official poverty line is too low and millions of low-income Americans who are poor in the eyes of their friends, their families, and their neighbors are not included in the Government's official tally of the poor. Use of the official poverty measure distorts our understanding of poverty and understates the dimensions of poverty and hunger in America.

A few months ago some colleagues and I reported the findings of a study we conducted during late 1989 and early 1990 which shed some light on this topic. In that study, we commissioned the Gallup Poll to ask a cross-section of 3,511 adults what they think the income threshold should be in their community to determine whether or not a family is poor.

The results of the study indicate that the American public thinks the poverty line should be about 24 percent higher than the Government's official poverty line. Based on the official poverty definition, the poverty threshold for a family of four was $12,092 in 1988, while the average response from this nationally representative sample of Americans would have placed the threshold at $15,071.

If the poverty line reported by the public were used in place of the official poverty line, we would have a poverty population of close to 45 million rather than the 32 million reported by the Government. Nearly 13 million people who have incomes just above the official poverty line are not counted by the Government as poor, but are considered to be poor by their neighbors.

While the perceptions of where the poverty line should be set varied from group to group in our study, none of the groups we examined thought the poverty line should be as low as the official Government thresholds. Some of the groups thought it should be as much as 39 percent higher than the official thresholds.

I would like to submit a copy of the report which documents those findings, and have it included as part of my testimony on this matter.

I believe the fact that most means-tested programs use income eligibility thresholds that are well above the poverty line mean that many policy-makers share the public's view that the official poverty thresholds are unrealistically low.

There are many technical reasons why the official poverty line differs from the public perception of where the poverty line should be set. Our report outlines some of those.

Dr. Ruggles' book, which I recommend to anyone who is interested in this topic, covers those technical aspects in much more detail. The unrealistically low poverty thresholds used by the Government

also affect the public's perception of the problems of poverty and hunger in America.

This perception has been further distorted by media stories claiming that there are really not as many poor people as the Government says because noncash benefits are not included as income in measuring poverty. Our study showed that even if all major means tested noncash benefits were counted as income, including medical assistance, which is the most controversial, the number of poor would still be 39 million, which is 24 percent higher than the initial number.

The mismeasurement of poverty clearly has implication for our efforts to alleviate hunger in this country. In preparation for this hearing I performed some additional analyses which demonstrate one of the implications of the real life poverty line recommended by the public.

While 52 percent of families below the official poverty level reported receiving food stamps in 1988, only 43 percent of those families who had incomes below the real life poverty level received food stamps.

In other words, the use of the real life poverty line indicates that the gap between those who are needy and those who are served by the Food Stamp Program is even larger than the gap reflected by the use of the official poverty line.

In summary, I believe that the official poverty thresholds are too low and that this provides a distorted picture of America's needy population. The misunderstanding about the size of the poverty and hunger problems in our Nation impedes our ability to solve these problems.

This concludes my testimony. I would be happy to answer any questions you might have.

[The prepared statement of Mr. O'Hare appears at the conclusion of the hearing, see p. 55.]

Mr. HALL. Thank you, Mr. O'Hare.

I appreciate all your testimony. Let me ask a question. The poverty line is $12,700 and everybody who makes that and below is classified as poor; $12,700 in Washington DC is poor but $12,700, let's say, in Missouri or my district of Dayton, Ohio, might not be considered poor.

So when the measurement of poverty is considered, do they take into account the regional differences and the cost of living, let's say, in Missouri and Ohio as opposed to Washington, New York, and Chicago?

Ms. RUGGLES. Right now they don't take into account those regional differences. We only have one count for the country as a whole. One reason they haven't done it is because we haven't had good data on exactly what these differences are. In my book I call for assembling that kind of data.

I think it would be possible. I understand the Bureau of Labor Statistics has a project underway right now to allow them to do it. I think it would allow us to have a more realistic poverty line.

Mr. HALL. Could I comment? I'm sorry, go ahead.

Ms. ORSHANSKY. May I say something? We don't have nor can we expect soon any information to use on "place to place differences".

It is just not there. There are, though, three things that are important to remember.

One is that—and I am very proud of the fact that we at Social Security, suggested this before data were available—at generally low-income levels such as at the poverty line, the geographic difference in cost of living for comparable standard is not likely to be very great. It is much greater at more comfortable levels of living, such as I will assume most of us here enjoy. When the poverty line was developed, the BLS had only one standard budget, modest but adequate. Later, they came up with a "lower" and "higher", and the lower was still higher than the poverty line for all the standard metropolitan areas.

An early report on the true budgets found that, as the differential in costs for these standard metropolitan areas, was practically nil in the lower budget, which was considerably above our poverty line. The cost range was wider in the moderate level, as they now call it, and much higher in the upper one.

But there are other things which are much more important. One is that most Federal programs which hover around a minimum, like veterans allotments, social security benefits, income taxes don't vary State by State or region by region.

There is an even stricter problem of income taxes. Wherever you are, whatever you do, you are subject to the same requirements and possibilities. And if you really believe, that the lower income level around poverty, of $12,700 is overly generous for. Ohio and Kentucky compared with New York State and Washington DC., everything we know says that the financial benefits from, by living in such a low cost area, are even greater for the people above the poverty line. This would lead me to conclude, that the Federal income tax should be ajusted accordingly.

If that is true for the people in Ohio, let's say, or Kentucky or Mississippi, that is a lot of money compared with what it is in Washington DC or New York City, and, you know, we ought to think about that. That is true.

OK, then for the people in those "low-cost" States having an income of $20,000 for a four-person family gives them a lot more buying power and consumption potential than it does in "high cost" localities.

Are you ready to have the Federal income tax laws change so that the higher income people in these low cost operations pay taxes at a higher rate or the less personal exemption than persons in high cost areas? I don't know why we always want to treat the poor differently from the rest of us.

I think these are very important issues. They are, however, political issues and they are issues of social policy as much as economic ones.

Mr. HALL. OK. Thank you.

Mr. O'HARE. I could respond to that question quickly? In the study we asked, we asked what people thought the poverty line should be in their community so we could aggregate people in different ways and look at the responses for different areas.

I think there are two points to be made. One is there is significant variation across types of areas, for example, in the urban areas of the West, people reported the poverty line should be about

$17,100 rural areas of the Midwest they reported the poverty line should be about $12,600.

This is two points. I think, one is that there is significant variations across different types of areas. Second, that even in the lowest place they think it should be higher than the poverty line was in 1988.

Mr. HALL. That is a good point. To follow up with what Mrs. Orshansky said about the noncash benefits, Mr. O'Hare, you said that—you testified that even if all noncash Government benefits were counted as income, the number of poor under the public's poverty line would be higher than the present number of poor.

Could you elaborate on that.

Mr. O'HARE. A little bit. The Census Bureau data that we used for figuring out who was below this public poverty line or not also included information about the noncash benefits different families received and a value for those benefits. We simply included those values assigned by the Census Bureau as if they were income to see what effect that would have on who was poor according to the public definition of where the poverty line should be, and if you included all the nonmajor, noncash benefits other than medical assistance, it made very little difference in terms of how many people were poor.

It went from about 44 million to about 43 million when those nonmedical, noncash benefits were included. If you include medical assistance, the number of poor was still 39 million people, which is about 7 million higher than the official number.

Mr. HALL. So under that formula in estimating the noncash benefits like food stamps or whatever they might be, the escalating number is still very high, in the millions?

Mr. O'HARE. Exactly.

Mr. HALL. OK. I have some other questions, but I am going to ask my colleague, Mr. Emerson, to—I know he has a few questions he would like to ask.

Mr. EMERSON. Well, Mr. Chairman, thank you. This testimony has been so provocative and interesting that it is really hard to know where to begin.

I have maybe some questions, maybe some comments, but everything you have said here this morning has certainly been very interesting. It seems to me that there is a great disparity—it occurred to me sitting here listening to you testify that one almost has to be a sociologist to integrate all of this because there is such a disparity in the public's understanding of what you are talking about versus the official understanding of what you are talking about that it is hard to really get a handle on a common definition in terminology so that we are all on the same frequency.

In fact, Mrs. Orshansky, you said it is difficult to be precise about what may be a state of mind, and I am reminded a number of years ago a distinguished group made a study of hunger in America that I took some issue with. I no longer take as much issue with it. I was concerned—they were trying to be statistical and were instead rather anecdotal in trying to measure hunger in America.

As a matter of fact, I think they went and made this measurement in all of the counties of the United States and determined

who by the federally defined poverty standards, how many people in a given county qualified for food stamps, and then looked at the numbers of how many people actually applied for and received food stamps, and the disparity was the number of people who were theoretically hungry.

Well, a major metropolitan newspaper in Missouri thought that was very interesting and went out—they had resources to send investigative reporters out to do a story, and they located some of these families that were theoretically hungry, and I guess they somehow got permission from people, they got waivers from the Privacy Act and got permission from people to talk to them about their hunger, and they went into one county and found a family of four where the combined family income was about $7,000, and by anybody's definition that would be poverty, and so they went to talk to this family, and the head of the household, when asked the question about how hungry, he said, "Well, you know, there are a lot of things wrong, but hunger isn't one of our problems."

Oh? Well, you know, they say you are hungry. I mean, here are four people with a family income of $7,000. How is it that you are not hungry? They said, "Well, see out back there, we run some cattle out there, and there are chickens around, and come here, come with me, I will take you down in the cellar."

They took him down in the cellar. They said, "There are 120 quarts of tomatoes, 67 quarts of green beans and what have you." Well, what it really comes down to, it was a rural life style, and people out in the country, they like to hunt and fish, a lot of them really do. I have a lot of people like that in my area, and they have gardens, they raise animals, and they aren't hungry.

Their children do go to school, and they get an education, and yet they are defined as being in poverty, but they really aren't destitute, and they like their life style, and they come into the equation here when in many cases they don't even think of themselves as being in poverty.

On the other hand, I have been on this committee since its inception, and I have been the ranking member on the Nutrition Subcommittee of the Agriculture Committee now for 8 years, and I have traveled to many, many major metropolitan areas in this country and to many rural areas in this country looking at the problem mainly from the nutrition standpoint and from the hunger standpoint, and so I have seen all kinds of examples. I have seen some very, very destitute situations, and I have said to myself on many cases, feed these people and they are still in deep trouble.

I mean, give them the maximum they can qualify for food stamps. They lack education. They probably have a housing problem. They have a transportation problem. They probably have a job-getting-and-holding problem because they don't have the skills, and I began a number of years ago to think in terms of the concept.

We have 96 different welfare programs in this country, each one of which have a different criterion for qualification. Now, probably for 7 or 8 years I have been thinking how could we ever, in a realistic manner, have what I call one stop shopping, that if there is someone who is in poverty or has indicated some mechanism to need help. If a person is hungry, that may be a first line indicator.

They probably need housing assistance and health assistance and transportation assistance and job search assistance, all these things. Why can't we ever get a handle on addressing the needs of the person or the family in order to try to make that family whole?

Now, I know resources are one big problem, but you know another big problem I have discovered? We have had GAO studies on this, a lot of other studies. There is a turf problem in the Government. Agriculture would be most reluctant to relinquish any of its jurisdiction to labor, and labor to HHS, and maybe the biggest hurdle we have got to get over in addressing this problem is the turf problem in Government. We have a communications problem, first, that problem has to be addressed, and the turf problem is another.

But then the definition, the definition of who really needs help—the people that I mentioned to you here rejected the idea that they were poor, that they were in poverty. They could take care of themselves. They were housed, fed, clothed, and being educated, and I assume they had some job opportunities.

I am trying to recall. I think the father of the family was a barber, in a small town in Missouri, and that was just the level of income, but they thought they were in fine shape. So you do have some people like that. On the other hand, there are people with $7,000 annual income that are just destitute and have no hope and no hope in life at all.

That is a long statement, but would any or all of you care to comment on it? My concern is how do we ever really begin to get an adequate handle on it and how do we deal with perception if there is also a perception out there that there is a lot of waste in welfare, and I guess there is some, but I don't think it is as much as the public perceives it is.

Ms. RUGGLES. I would certainly agree with you on that. I think there is a problem in perceptions of poverty, and I think a lot of it does have to do with place-to-place differences in what people really need. I do think that there probably are some families in rural areas that do grow some substantial portion of their own food and things like that and don't actually need as much.

On the other hand, in an area like Washington where you can't rent a two-bedroom apartment for under, what, $500, and you would be lucky to find one at that price, it is not reasonable to say that someone should be able to get by with a couple of kids on $800, $900 a month. That is just not realistic.

You are still likely to consider yourself poor even with a much higher income than that. I think that illustrates why it really is necessary to start thinking about varying our poverty lines a little bit across different regions of the country and I think probably also across urban and rural places. We probably do really need to think about having different poverty lines for different places.

On the question of welfare programs, as Mollie Orshansky pointed out, our basic programs for the elderly come a lot closer to providing adequate levels of income than our programs for children. The median State benefit in the Aid to Families with Dependent Children program is only about 40 percent of the poverty line, so that even with our current rather low poverty line, welfare benefits are very low relative to what we consider to be needs, and I

think with a more realistic measure of needs it would be even worse.

As you say, there is clearly a resource problem in dealing with that. We don't want to spend enormous amounts more on welfare programs, but I think that an important first step is at least to understand how many people there are whose needs are not being met and what the characteristics of those people are, in order to think about the best way to go about addressing their problems.

Mr. EMERSON. I must say I have been very frustrated in being able to get a handle on how you address the entire needs of an individual because these are different standards of qualifying for the different welfare programs. I mean, you may qualify for food stamps and it may disqualify you from housing or the other way around, and that is very frustrating.

Ms. ORSHANSKY. It is partly an answer to you and partly in particular an answer to Dr. O'Hare for what he said. It is frustrating, but I want the Federal Government to take its role as it should, and I want the Federal employees who are responsible for carrying out decisions to participate in developing them.

We have an opportunity—I don't know how it is that sometimes we take it and sometimes we don't. Maybe it is where you think you can get support at home and where you don't. We have not only an opportunity, it seems to me, but an obligation to do something about what—I can be fancy with economic theory, too, if I don't have to write it, what our leading well-known pioneer in the field of fiscal finance, public finance, Richard Musgrave, calls "merit wants".

They are the things which I always think of what we as parents sometimes say, you have to do this, and this hurts me more than it does you. They are wants or goals which the public, the body politic assumes are desirable not just for the people, but for all of us. We want education for the kids. I don't care if you don't know enough or haven't money enough to provide it for them yourself. Such merit wants are imposed by society which they must bear the cost.

We want that. We want health for the children because, to put it bluntly, I don't want your kids giving my kids infections or something because you haven't had the money or the know-how to take care of them. You don't know about housing standards. You may think one room will do, but we think you should have two, so we have merit wants which we impose, and some of our public programs are attempting just that. This can reduce consumer sovereignty, and it probably reduces State sovereignty, too.

It probably does, but in any case it is going to do more for us than it does for you; maybe and we want it more than you know how to do. We impose social goals through welfare programs.

In setting up the SSI Program, [the Supplemental Security Income Program] in 1974, we set a floor which the Federal Government would pay, and it was above what quite a few of the States had in their old age assistance programs. Although it wasn't as high as the poverty line, if you added in the provisions it could come pretty close. There was another provision:

I don't know how it went through, but it did. I remember $1,600 for an individual recipient is what the Federal Government would guarantee. In those States where it happened to be higher than

what was already being paid on old age assistance, the recipient got the raise.

If the State already had a higher standard for its old age assistance program, which indentically, Federal money funds in large amount, they were required to maintain it, not just for the ones that were already on the rolls, but for any new ones. It was stipulated that the new program be adjusted annually for cost-of-living the same way as Social Security was. Moreover, if the Federal payment went up by say, $13 a month, the state could not reduce its own share by that amount.

I couldn't say now, Ms. Ruggles, you know, you are going to get the same amount, but we are going to take $13 off our check. We did that, and it sold, and it has been a success story. We have problems. We have had many elderly in the institutions now who don't have to be there, but they are there because there is nobody to be with them at home and they can't take care of themselves alone.

Our programs often don't pay for somebody to come in once a day or twice a week to see if elderly housebound have their lunch, or to help them with their shopping, but if they enter an institution we foot some of the bill. If you add those in, we have a lot more elderly poor than anybody is going to pick up by changing the poverty line as has been discussed here. Remember, the institutional people are not counted in any of our figures that we talk about, but, I don't see why we can't try.

I don't see why we can't try to put a Federal floor under the AFDC Program in the same way. We do it for food stamps, and incidentally, this is really why I started. I am upset by statements that obviously they think the poverty line is too low when they allow school lunches and food stamps to go to—and medicaid to people way above the poverty line.

It is not that they think the poverty line is low. It is, but medical care we have established—don't ask me how it got sold, but we sell it. You can be medically indigent even if you are middle class. Most people know this, so that medical indigence is acknowledged at a higher income than are the other consumption needs.

For school lunch programs, every social policy dictates subsidy, and we allow for extra—the original poverty lines were published with a higher near-poor line. Nobody used it, but we allowed for it, and the USDA Food Stamp Program adopted it, allowing income actions which the poverty line didn't, for especially high expenses, for medical care, and housing.

They made allowances, and particularly in the case of the food stamps they wanted something for the working poor. It is the only program we really have in those States for them, so that they juggled it. Well, it is social policy. It is political policy. It is not as scientific as perhaps it should be, but I don't understand why we can't do or don't do more of those things. When you talk about the poor and the fact that some people aren't officially counted when we think they should be, we should be trying to fix it. Let me finish this sentence.

Ms. LONG [presiding.] I will let you finish it.

Ms. ORSHANSKY. I appreciate what Ms. Ruggles says, that we want to make the numbers not just possible, but plausible. The poverty line and the food line and the food stamp line has to be set

at a level that at least approximates on the average, what people can make out on it, not on the expectation that some people can make it on very little.

Mr. EMERSON. You know, I think in response to what you said, maybe an approach is to try to get away from all this categorical business. That may be the answer to one stop. None of these 96 different Federal welfare programs are connected necessarily one to the other, and that may be an impediment.

I know it is an impediment. Maybe we ought to look at some other context. I have had more than my fair share of time. I could go on a long time more here, but I won't.

Ms. LONG. Mr. Smith, do you have any questions?

Mr. SMITH of Oregon. Yes, just one more, an observation. Likely, if you punched all of the 96 programs for welfare carried on by the Federal Government, put them into one and reduced the size of the bureaucracy, you could raise the level of poverty $17,000 from $12,000 and never cost another dime of the public treasury.

But be that as it may, with a public policy that draws a line in the sand for poverty around $12,000, we also have a public policy in this country for minimum wage. We are fully employed. We have between 5 and 6 percent unemployment in this country. That is basically full employment.

Anybody this morning can go before noon at minimum wage, but the minute I get one I am in poverty because by my rough computations at $4 an hour, you are going to earn $7,000, and you are immediately below by $5,000, you are in poverty, so should there be some connection between policies of this Government, between on the one hand saying you are in poverty if you take a job and then offering a job that is so low that you are guaranteed poverty?

Ms. RUGGLES. Well, I think that is a very good point. I think it is a very difficult issue to think about whether the Government should require higher wages and should require wages high enough for people to stay out of poverty.

You do have to remember that the $12,000 figure is for a family of four. You wouldn't be in poverty if you were a single person or even if you just had one child or something like that if you had a minimum wage job, which I think is the case for many minimum wage workers. They are single people, that kind of thing, but of course there are big effects on markets if you raise minimum wages and so on.

Nonetheless, it is perfectly true that a large part of the problem is that wages for low-income workers simply have not grown at the same rate that incomes for higher income families have gone up over the last decade. It really is the very low wage growth for those at the bottom end of the income distribution that has been a big part of the reason why we are seeing the kinds of increases in poverty that we have seen over the last decade.

Mr. SMITH of Oregon. Do you think that is the major cause that the low-income salaries have not kept up with inflation and with the expansion of the economy, is that the issue?

Ms. RUGGLES. I think there are a couple of different issues. I think that is an important issue, especially for this population that I identify that isn't counted as officially poor but who do have jobs,

who are trying to work and who just aren't making ends meet because the poverty line is too low.

I think for that population the fact that wages haven't gone up for low-income workers is the big problem. I think for the really poor population, people whose incomes are maybe below 50 percent of the poverty line, the biggest problem is that benefits in programs like AFDC have declined a lot in real terms over the past couple decades.

In the AFDC Program alone, for example, the median State benefit has declined by 40 percent in real terms since 1970, and that is an enormous amount.

Mr. SMITH of Oregon. Should we be attempting to gather more resources from the finite source to aid the low end of our society or should we be attempting to provide incentives for our total economy to expand more rapidly and increase everybody's opportunity and everybody's standard of living?

Ms. RUGGLES. I think both growth and fairness are very important issues, but I don't think they have to be incompatible. I think that it is possible to have a set of policies that encourage growth without necessarily increasing the overall inequality of the income distribution.

Mr. SMITH of Oregon. Thank you.

Ms. LONG. I do have a question that I would like to ask about the practical aspect, and I would like to ask Ms. Ruggles, practically speaking or pragmatically speaking, what do you see the opposition to redrawing the poverty line being? What do you expect to happen?

Ms. RUGGLES. Well, of course it is quite difficult to say exactly how we ought to redraw the poverty line. At this point I don't think that there is even a consensus among statisticians as to what we ought to do, and I really think that the first step is to draw together more information and to try and develop a better consensus as to exactly where the poverty line ought to be.

I think, however, that we are beginning to see more agreement that there is a need to reassess the poverty line. For example, even Dr. Boskin, the Chairman of the Council of Economic Advisors, has identified the poverty line as one of the economic indicators most in need of rescission and the Council actually has a working paper that proposes a whole set of revisions that could be considered in the poverty line.

So I think there is some pretty high probability that in fact the poverty line will be reconsidered over the next year or two. We on the Joint Economic Committee have been extremely interested in this issue, and some of our members have been pushing for additional research and potentially for more active approaches like, for example, a commission to reevaluate the measure of poverty.

Mr. EMERSON. Would the gentlelady yield to ask a question?

Ms. Ruggles, in your Committee are you familiar with and has it come to your attention studies that have been made by the GAO for this committee bearing on one stop shopping and barriers to participation in different welfare programs?

Ms. RUGGLES. Yes, indeed, and indeed the GAO has done some very useful studies on these questions for your committee.

We haven't dealt so much specifically with the issue of barriers to access to welfare programs as with the broader issue of how do you measure poverty. We see statistical issues as being a little bit more in the brief of the Joint Economic Committee, but I do think that many of the suggestions in those GAO reports are definitely worth following up on.

Mr. EMERSON. You know something else I think we need to get into, Madam Chairman, if I may beg your indulgence for 1 more minute here, I have gotten involved in the course of the last year with the idea of the need for all citizens to be able to speak the common tongue of English, and in the process of this I find I am called a racist and many other things.

I think language is the great uniter, the great common denominator, and the more I get into this subject, I find, that we subsidize in some areas where people can't communicate in English, we give special subsidies so that they may be taught in the tongue which they understand.

Now, that may be fine in providing basic learning, but when they get out in the work force, they are going to be dealing in a society that very largely speaks English, so there are a lot of factors such as many people in this country being unable to communicate in English that, in my view, contribute to the problem of poverty; that aren't related to statistics and job opportunities other than they may be limited if they don't speak English, and it doesn't have to do with inherent ability or anything else. And I think any ultimate study we may do on this subject would have to take factors of that sort into account.

Ms. RUGGLES. I think certainly any approach to solving the problems of poverty would have to be multifaceted. I completely agree with that. I think that the issue of measuring poverty is a difficult one, but I think as Mollie put it earlier, while money is probably not enough, we do know that if you don't have money, you probably have other problems, too.

Mr. EMERSON. In that regard, I agree with what the gentleman from Oregon said, if we could ever find a way to implement this, addressing the needs of the whole individual, I think we would find that we could do it a lot more cost-effectively than we do right now and at a great—at a greatly higher level of satisfaction to the beneficiary or to the client.

Madam Chairman, I would ask unanimous consent, this very good panel, interesting, worthwhile contributions that you have made, we could probably go on the rest of the day in this exchange, but I would ask unanimous consent that we might have permission to ask questions in writing after we have had an opportunity to digest what we have heard here today.

Ms. LONG. Without objection.

Mr. EMERSON. Thank you.

Ms. LONG. Thank you. Your testimony was, although I didn't get to hear all of it, was very good and very helpful. I thank you for your time, as well.

I would now like to introduce our second and final panel, Rev. Charles A. Parker, Ms. Mary Tamper, and Ms. Carla Fisher.

Reverend Parker, executive director of Bread for the City, which is a nonprofit, church based hunger ministry here in Washington,

DC. In addition, he serves on the mayor's Commission on Food, Nutrition, and Health and on the board of directors of the District of Columbia Hunger Action. Reverend Parker is a frequent guest on television and radio shows which focus on hunger issues throughout the metropolitan area. It is nice to have you here.

Ms. Tamper is a resident of Landover, MD, she is the mother of two children. They are aged 8 and 6. Ms. Tamper lost her husband, William, over six years ago. Since then she has been raising her children on her own. Her household income makes here family just above the poverty line. Ms. Tamper is a leader in the Community Leadership Education Organization which helps low income citizens in her community know their rights. We are happy to have you here.

Ms. Fisher also a resident of Landover, MD. She is the mother of three children, aged, 12, 13, and 18 and also takes care of her aging mother. Ms. Fisher is employed at the Department of Commerce and is one of 39,000 employees at the Department who received a furlough notice last week. Her household income places her family will above the poverty line, but she still has difficulty in making ends meet. Ms. Fisher actively participates in the Community Leadership Education Organization also. It is very nice to have you here. I think we will go ahead and begin although we have just been called for a journal vote. But we have some time so I think we will begin with Reverend Parker.

STATEMENT OF REV. CHARLES A. PARKER, EXECUTIVE DIRECTOR, BREAD FOR THE CITY, WASHINGTON, DC

Reverend PARKER. Thank you very much. As you mentioned, I work at an organization called Bread for the City in downtown Washington. We provide emergency food and clothing and basic counseling and referral services to low-income residents of the District.

Our food distribution program is the largest aspect of our overall program in terms of budget and staff. We focus our food program on folks primarily people who are elderly, folks who are disabled and unable to work, and parents/ dependent children who live 30 percent above the poverty line, so the same income criteria as food stamps. We provide them with 3 days' supply of food for three meals a day, and they can pick up food as often as once a month as they need it.

Most of our clients come to us on a monthly basis at the point most where their food stamps or whatever income they have runs out. They are almost entirely folks who are in homes, but come to a point in the month when their income runs out and they need food assistance and they come to us.

As I mentioned, we serve folks who do live above the poverty line, up to 30 percent of the poverty line, all of whom, however, would be considered poor by pretty much anyone's standards. They have frequently run out of food in the course of a month. Many of them spend very high percentages of their income on their housing, 50, 60, and even 70 percent. And as I am sure you know, the national statistic is that 45 percent of folks who live below the poverty line spend 70 percent of their income on housing, so that these

are people who would be considered poor in pretty much anyone's terms. When we are assessing the poverty line, I guess the critical question is what the purpose of the line is for.

While there are a number of Federal entitlement programs that are tied to the poverty line, and we have talked about a number of them, the poverty line itself is not used as the criteria for hardly any of them, so that the purpose of the poverty line seems to be to get a general sense for what it means to be poor in our country, and when we get into debates about the kind of technical definition of poverty versus what the person understands as poverty, we see the distinction right away.

I spend a fair amount of my time talking to religious and civic organizations around the city about hunger and poverty issues, and at some point in my talk I usually mention the fact that a little over 20 percent of the District of Columbia lives below the poverty line, which is an appalling number. But when I am specific and tell folks what the poverty line is, there is almost invariably a response of shock and amazement because people, when they hear the term "poverty," hear the term "poor". So when I say 20 percent of the District of Columbia lives in poverty, what they hear is one-fifth of the city is poor, when in reality quite a lot more is poor.

So that in assessing where to set the poverty line, I think one of the primary things that is involved is finding out what people understand as being poor, since that is clearly what the purpose of the poverty line is for. I think Dr. O'Hare's study is a real good place to start in gaining a general sense for what it means to be poor; but there are a couple things I would want to add.

First, while there may be some lack of adequate data, I think it is critical that we are able, in putting together the poverty line, to factor in differences between religions of the country and between urban and rural areas.

As Mr. Emerson noted, to have an income level of a certain amount in a city is a very different—puts one in a very different class as that same income in a rural area. We also need to reflect the fact that the average family now spends between one-fifth and one-sixth of their income on food, as opposed to one-third as it was back in the 1950's when the original poverty line was developed.

We need to find ways of incorporating housing costs and child-care costs into the poverty level—the poverty formula—as well. If you have a family who has been living in subsidized housing and for one reason or another loses that subsidized housing and has to buy housing on the open market, they may not have had an actual change in their income at all, but they have had a very major change in the amount of money they have to spend on food and other items.

I would also want to say that I don't see a problem with incorporating noncash benefits into the poverty formula. If what we are trying to do is get a picture of what a person actually has to spend, it is appropriate, I think, to incorporate things like food stamps and housing subsidies in trying to get a better picture for what a family's financial status is.

I appreciate the opportunity to speak here this morning and commend you on your work on this project.

Mr. HALL. Well, thank you.

[The prepared statement of Reverend Parker appears at the conclusion of the hearing, see p. 73.]

Mr. HALL. Mary Tamper.

STATEMENT OF MARY TAMPER, PRIVATE CITIZEN, LANDOVER, MD

Ms. TAMPER. My name is Mary Tamper. I would like to thank Congressman Hall and the Maryland Food Committee for asking me to testify this morning.

I agree that the time has come to re-examine the country's definition of poverty.

Six years ago my middle-class world as I knew it came tumbling down. My family at that time consisted of my son, Justice, my husband, William, and myself. Then my husband died of leukemia. His illness and death changed my world. It has been a struggle since my husband died, but we have kept moving to stay ahead of unexpected medical costs.

Shortly after his death I found out I was 4 months pregnant with twins, then I was told that something was wrong with one of the babies. I tried to continue work as a teacher's aid, but I could not. In January 1984, I was told that one of the babies had died because of strain. Having lost my paycheck, I applied for food stamps. I was told that my household income—I was told I had to use my household income for that month.

Then a case worker told me that I was $1.27 over the income eligibility and they could not help me. A friend told me about the WIC Program. Through WIC I was able to be eligible for food and not being able to pay bills or buy food we were forced to move into my mother's crowded house. In April of 1984, my son Tyrell was born safe and healthy while his twin was stillborn. During a routine WIC visit the nurse found that Tyrell was anemic. The WIC Program provided me with infant iron fortified formula and a doctor provided free samples of a drug that Tyrell needed.

Tyrell quickly recovered and I am thankful to the WIC Program. In August 1985, I received Social Security survival benefits for the children. In 1986 I was hospitalized and diagnosed as having an autoimmume system disease of Shuguns. By this time what little money I had was gone. My medical, food, and shelter expenses have consumed most of my savings. I started tutoring neighborhood kids to earn some extra money for food and utilities.

There was time when money ran short and we had no food. However, the foods I received from WIC helped. We would not have made it without the WIC food. There was time when the eggs and cheese WIC provided served as breakfast and dinner. There was also times my son would say to me, mom, I know you just fed me, but I am still hungry. This hurt me more than any knife could, especially when there was no food in the cupboard. When I could get food from a pantry, but most of them was either too far or not on a bus line, so they were not accessible to me. At least when my kids were on WIC I knew there would be some food in the house. We got by with the help of family, friends and a few enemies. Times are better now, and I have found myself helping out some of my neighbors and friends.

Going to Tyrell's Headstart classes started to make me feel worthwhile again. Just being in the classroom again it was fun, and the leadership training sessions also helped. In December 1988, money was so tight that I applied for food stamps again. I didn't have money for Christmas or food. I received a letter that I was eligible for $7 worth of food stamps. I never wanted a hand out. All I wanted was a helping hand getting through a difficult time. That is why I walked down to the Social Security office and told them they could keep the $7 because it was not going to feed my kids. It was at this moment I promised myself I would not let my children be hungry again, but high utility bills or medical expenses takes away from my food budget. If I can get $125 worth of food stamps, then I could purchase a freezer. A freezer would allow me to take better advantage of the offers of fish and fresh vegetables friends offer me.

A medical assistance card would allow me to take my kids to the doctor and dentist for preventive health care.

Recent increases in income guidelines for free lunch meals have helped me. I know if food gets low and all I have is some rice at least my kids will have had two nutritious meals that day.

The leadership training I received through the Headstart Program and help from Maryland Food Committee has enable me to start the Community Leadership Education Organization, CLEO, in Prince Georges County. This volunteer organization monitors the WIC Program in the country. CLEO helps others in the community to know their rights. We also are working to get food pantries and Headstart centers to meet the needs of the parents in the community. Locating a pantry in Headstart centers will address the transportation problem because the parents are allowed to ride the bus with their child.

As the chair of the Community Leadership Education Organization in Prince Georges County I have come to know other women who are working and are having a tough time making ends meet due to high rent and childcare costs. Things are better for me now, I have moved in a house and my rent is subsidized, and I will continue to educate low income people that they are people regardless of their circumstances and that they have the right to be treated with respect and dignity.

Again, I thank you for this opportunity.

[The prepared statement of Ms. Tamper appears at the conclusion of the hearing, see p. 79.]

Mr. HALL. Ms. Fisher.

STATEMENT OF CARLA FISHER, PRIVATE CITIZEN, LANDOVER, MD

Ms. FISHER. Good morning, Mr. Chairman and members of the committee. My name is Carla Fisher. I am one of the 13,000 civilian and Federal employees in the Washington area that received a furlough notice which I brought with me today, a copy of it. Ironically I work at the Department of Commerce, a department interested in business development and expansion, was eighth in the terms of the number of employees who received furlough notices, 39,000 according to the Washington Post.

The past several weeks have been difficult ones for me. You see right now, I have a tough time making ends meet. I live in a two-bedroom apartment with my three kids, ages 12, 13, and 18, and my mother. Heaven forbid if I actually get furloughed. I say if because nothing is certain.

Failure of the budget to pass Congress by Friday could result in furloughs next Monday. My notice says that I could be laid off for 24 hours per pay period, up to 176 hours. I can't afford to lose 176 hours of pay, yet our questions about health benefits and other concerns go unanswered. This makes for a stressful situation.

Congress needs to know that while you debate the merits of the budget bill, people like me lives hang in the balance. The mental uncertainty that I and other Federal workers face is almost as tough as being furloughed. Questions such as do I get a part-time job, how will I pay the rent, how will I feed my family, questions that may only be questions or become hard realities. Creditors don't care about uncertainty. They just want payment.

In the coming days Members of Congress will have to make a difficult decision. I understand what it is like to make difficult choices. I make them every month. The $20,000 a year I make does not go very far these days. My average expenses are anywhere from $200 to $400 for food, $580 for rent, $100 for metro, $30 for electricity and gas.

My expenses are such that there just isn't anything left for entertainment or extra. My children and I don't receive any welfare assistance. I have received assistance with my rent from my church. My mother does receive $400 a month from Social Security and food stamps. This is clearly not enough to live independently, and changes in Medicare will not only affect here but me as well because any expense she is unable to pay I would try to help pay the best I could. As of October 1 my rent is $550. However, now I have a new gas bill to pay. I am trying to get into section 8 housing where my rent would be $543 or less as month. The only problem is I have to come up with $1,200 by the end of October in order to move in November, moving would be a big help to my family because it would give us more room, four or five bedrooms for less rent.

Food stamps would be a big help. Food is the most flexible expense I have, so any assistance with it could help me pay other bills. Now we buy food in family packages and try to make them stretch. My children qualify for reduced school breakfast and lunch which helps because the cost of lunch full price has risen to $1.45 a day or $21.75 a week for three, so paying the reduced price allows me to stretch me food dollars.

Some of the people at work have talked of getting a part-time job. I don't know. If I am furloughed I must get a second job. Last week I saw people from all walks of life asking for assistance to pay their rent. The working class is suffering while the rich seek a tax break. Besides the furlough I worry about the cost of living. We need a better cost of living wage. But I doubt that will occur now.

Rising food prices along with increases in Metrorail prices seriously affect me and my family. I don't have a car. I would love to have a car, but I can't afford one. I wish you could see the world from where I see it. Then you might realize that while a family of

four living on $12,700 is classified as living at the poverty level, the same family living on $20,000, approximately 180 percent of poverty isn't much better off and lives from pay check to pay check.

You might realize that we need more affordable housing for people making less than $30,000 a year. Housing with rents less than $500 a month. You might realize that furloughing or laying off Federal workers doesn't decrease Federal spending. Rather, it increases Federal spending. Federal spending is increased when just above poverty loses income and becomes eligible for welfare or unemployment benefits.

Finally, you might realize that the old ways are not good anymore. It is time for a change. Tomorrow I will participate in the Maryland Food Committee's wide antihunger organization annual conference. I will do so as a member of the Community Leadership in Educational Organization of Prince Georges County, CLEO. CLEO encourages self sufficiency. We help low-income women through the welfare maze, share food resources, monitor human service delivery, attempt to influence public policy, and train women for community leadership and project management.

It is our hope that the number of CLEO groups will spread throughout Maryland and empower low-income women to become self sufficient. Teaching skills that lead to self sufficiency will truly save money in the long term.

Mr. Chairman, I thank you for the opportunity to speak to this committee.

[The prepared statement of Ms. Fisher appears at the conclusion of the hearing, see p. 84.]

Mr. HALL. Mrs. Fisher, what would happen if you got furloughed? What would happen to you and your family?

Ms. FISHER. Well, as it stands right now, I am late in paying my rent, my other bills would be late being paid for because I wouldn't have enough money to stretch it all to cover everything. I would more than likely receive an eviction notice from my landlord because they don't want to hear that. They want to be paid on time.

My other creditors would probably say the same thing, and you try to stretch what you have, but you can't stretch it any further than it is.

Mr. HALL. What are the kind of trade-offs that you and Mary have to make on a daily basis or maybe even on a monthly basis and how do you do it, I mean, you know, when you have your utility bills going up and you have the food bill and you have got, probably, some childcare costs, how do you decide who gets to eat? How do you do that? How do you manage that?

Ms. TAMPER. It is difficult. It is very difficult. Usually the food will suffer because it is expendable. You buy chicken mostly if it is on sale, a lot of oodles of noodles and things to make it stretch out, rice and potatoes and stuff, you know, very few fresh vegetables. We do canned, you know, so you kind of make things stretch out to carry you almost to the end of the month with what you have.

Ms. FISHER. But then there are times, too, that when I know Mary didn't have and I had, I split whatever I had and shared with her family the same as she does with mine.

Mr. HALL. You mentioned, Carla, that you are involved in some self sufficiency programs, and this is something that I am very interested in. Can you elaborate on that?

Ms. FISHER. Well, I am involved in the CLEO program of Prince Georges County, I work very closely with Mary Tamper on that. We are in the beginning of getting ready to go into classes to learn management and other things as they come around.

We are trying to work, we are trying to get established so that we can learn, so that we can teach someone else how to be a little bit more self sufficient as far as managing their money on a budget because that is what it is going to take, and it is going to be a very, very tight budget either for those now that is trying to raise a family as opposed to Mary and I because we are running on very tight budgets and sometimes when I say tight, it is really tight, you don't allow for anything else but what you have.

CLEO has become a very important part to me because I am learning different things, things that I did not know, different programs that I did not know about I have come to learn about through CLEO, and I am going to those different agencies and seeking the help that I can get from them.

Mr. HALL. Mary, how often do your survival benefits go up each year?

Ms. TAMPER. Once a year in January when Social Security, if they get an increase I get an increase in survivor benefits.

Mr. HALL. And so when that happens——

Ms. TAMPER. They usually put me off, first of all my rent is subsidized, my rent will go up, and it will also cut into any money that if I were to apply for medical assistance, for food stamps, that puts me over their income requirements as for a single parent, you know, working parent, I am always over scale for that.

Mr. HALL. Now, why does your rent go up?

Ms. TAMPER. Because it goes up on my income because my rent is based on my income.

Mr. HALL. So when you get more income——

Ms. TAMPER. My rent goes up.

Mr. HALL. You stay even, but it puts you farther above the poverty line, therefore you don't qualify for anything, right?

Reverend Parker, you stated that the actual poverty line may not have any meaning and that, in fact, it may be merely a political statement. What do you mean by that?

Reverend PARKER. Well, as a couple of the last panel mentioned, when you look at the major Federal entitlement programs, they are geared for a percentage above the poverty line; so you have WIC is 133 percent of poverty line and Medicaid is 185 percent of the poverty line; and what to me is perhaps the most ironic is food stamps, because we have a poverty line based on how much it costs for a person to feed themselves, and I think there is sort of a tacit understanding on the part of the Government that by gearing the Food Stamp Program, our primary hunger entitlement program, to 130 percent of the poverty, there is sort of a tacit understanding that the poverty line is inadequate and doesn't provide enough for a person to feed themselves. And when you acknowledge that, you have to ask what is the purpose for keeping the poverty line where

it is, and the purpose seems to be to say that there are less poor people that there actually are.

Mr. HALL. How do these people, how do the people that you serve, how do they perceive themselves? The ones that are above the poverty line, do they perceive themselves as poor?

Reverend PARKER. Yes. And, in fact, while we deal with primarily folks who are below 130 percent of the poverty line, there are a lot of folks who are even above that figure that would consider themselves poor and are poor by pretty much anyone's standards.

Mr. HALL. There is a question that has been on my mind for a long time, and it has to do with—let's say the formula is changed and we have a new measuring stick, and we do things like counting benefits that are given, we have parochial differences, regional differences like we talked about earlier in the day, but the formula is realistic.

We consider indoor plumbing as a necessity for poor people and we consider childcare as a necessity, something that wasn't counted in the 1950's, and we would certainly consider the fact that food consumes less than one-third of a family's budget, as it did in the 1950's; I guess presently it is about 20 percent across the country. Rent has gone up, in some cases 40 or 50 percent, and electricity obviously is up. In the 1950's you paid maybe $9, $10, $12 a month; now it can be anything. So let's say—if we really want to be honest, if we really want to make progress against poverty; we have to know what we are dealing with and we count 13 to 15 million more people. To what extent should the Federal services for public assistance be extended or maybe mandated, and is all of that the responsibility of the Federal Government?

Reverend PARKER. Your question is if we raise the poverty line will that necessarily entail an extension of Federal benefits?

Mr. HALL. That is part of the question, but the other part of the question is, is it the Government's responsibility to pick up all of these people?

Reverend PARKER. I think it is the Federal Government's responsibility to assure that there is a minimal level below which people do not drop, and they can do that in conjunction with local government certainly, but I do very strongly believe that it is the role of the Government to maintain a floor of minimally decent standard of living for the people that live under it.

How are Federal entitlements tied to the specific poverty line? My personal feeling is that most of the entitlement programs, and I work primarily with food stamps, and I feel very strongly that that as a program needs to be expanded. Food stamps, as I am sure Mary and Carla can tell you, don't get folks through a month on average, so that I think probably most of the Federal entitlement programs do need to be expanded.

How that is tied to the poverty line specifically I am not sure how you want to do, but I think what is important about redefining the poverty line is that we as a country need to perceive how many people are poor, so we start to get a sense for the magnitude of the problem, and I think that is what is critical about redefining the poverty line.

Mr. HALL. You think that in fact we can change this accountability, this measurement—hopefully we can educate the American

people about the problem and that the people and their institutions begin to take more responsibility for the poor of this Nation. I am not talking just about the Federal Government, I am talking as well about churches, synagogues, private institutions. But until we get this, I think we need to have a more accurate account. How do you feel about that?

Reverend PARKER. I agree with you. I think having an accurate count of how many poor people we have in our country is a critical first step. I think that churches and synagogues and civic organizations have a role to play as well, and our organization is an example of that, being church sponsored, but churches and synagogues and civic organizations have the flexibility that large Government programs don't have to catch people who are falling through the cracks in the safety net.

The fact of the matter is, however, that the basic level, the kind of minimum standard of living still needs to be raised because if the Food Stamp Program, to take that as an example, doesn't provide adequate benefits to folks who live below 130 percent of the poverty line, synagogues and churches and civic organizations can't make up the slack for the whole population.

In other words, they can't bridge the gap between where food stamps are and where people need to live. We need to bring the food stamp up to a certain basic level and folks who are falling below that because they have a crisis, a medical crisis or high energy bills a certain month, those are the kind of situations that I think churches and synagogues and civic organizations are better geared to deal with. They are there to help folks who are falling through the cracks for one sort of emergency or another.

Mr. HALL. I have some other questions that I would like to submit to you, but not today. I would like to have your answers in written form if you would.

I appreciate very much your testimony and for coming down and being with us, and I think that we have heard both informative and very compelling testimony today. I have been educated much better about what makes up our current poverty measure and what some better measures may be and how a more accurate measure can help us fight poverty and hunger in America.

I have also learned where the American people would set the poverty line. Most importantly, though, I have a much better sense of the real human consequences of measuring poverty with outdated assumptions. In short, I believe your message has come through loud and clear to me and to the committee that how we measure poverty really matters. It matters for policy, it matters for measuring our progress against poverty, and it matters because it affects the lives of millions of our least fortunate citizens.

This is an issue that the committee will continue to work on, and it is a message that I will share with my colleagues in the House. I think today we have taken a most important step in dealing with the reality of poverty and hunger in America, and I thank everybody for participating and for being with us.

Thank you.

[Whereupon, at 11:40 a.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

Prepared Statement of Hon. Bill Emerson, a Representative in Congress From the State of Missouri

IT IS A PLEASURE TO HAVE WITH US TODAY REPRESENTATIVES FROM ALL WALKS OF LIFE TO SHARE WITH US THEIR THOUGHTS AND COMMENTS ON AN ISSUE THAT FOR ME PERSONALLY, IS VITALLY IMPORTANT. INDEED, ALL OF US IN CONGRESS ARE COGNIZANT OF THE NEED TO CONTINUE RE-DIRECTING AND RE-FOCUSING THE SENSITIVE AND REAL ISSUES ASSOCIATED WITH OUR "WAR ON HUNGER AND POVERTY IN OUR GREAT NATION." FOR ME PERSONALLY, I AM GRATEFUL THAT OUR WITNESSES HAVE COME TO PROVIDE US WITH VALUABLE INSIGHT ON OUR EFFORTS TO DATE.

MANY OF YOU MAY BE FAMILIAR WITH THE OCTOBER 1 RELEASE OF THE U.S. DEPARTMENT OF AGRICULTURE'S STUDY INDICATING THAT PARTICIPATION IN THE SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC) DURING PREGNANCY IS ASSOCIATED WITH REDUCED MEDICAID COSTS AND INCREASED INFANT BIRTHWEIGHT. ITS CONCLUSIONS CLEARLY DEMONSTRATE THE POSITIVE BENEFITS OF THIS PROGRAM. I, FOR ONE, FIND THE RESULTS TO BE AN EXCELLENT ENDORSEMENT AND INVESTMENT IN OUR FUTURE -- HEALTHY CHILDREN.

TO BE SURE, DEBATE WILL CONTINUE OVER WHETHER OR NOT THE POVERTY LEVEL IS TOO HIGH OR TOO LOW. AND, MANY WILL ARGUE THAT

THE POVERTY THRESHOLD IS TOO LOW. FEW WILL ARGUE THAT IT IS TOO HIGH. WHILE SOME WILL ARGUE THAT POVERTY IS MORE THAN NOT HAVING ENOUGH TO GET BY, BUT A MATTER OF HAVING LESS THAN OTHERS. ALL WILL AGREE, THOUGH, THAT NO ONE CHILD, NO ELDERLY PERSON, OR ANY INDIVIDUAL SHOULD LIVE IN POVERTY AND SUFFER FROM HUNGER.

IT IS IMPORTANT TO CONTINUE TO SEEK INPUT AND SHARE EXPERIENCES FROM THOSE DIRECTLY ASSOCIATED WITH OUR EFFORTS TO ADDRESS THIS SERIOUS PROBLEM. I AM ENCOURAGED THAT WITH STRONG AND CONTINUED SUPPORT OF THE CONGRESS AND THE ADMINISTRATION, THAT ALL PUBLIC ASSISTANCE PROGRAMS WILL CONTINUE TO SERVE THOSE TRULY IN NEED.

UNDOUBTEDLY, DIALOGUE WILL ALSO CONTINUE ON THE NEED TO REDEFINE THE CRITERIA OF ESTABLISHING AN APPROPRIATE MEASUREMENT OF THE POVERTY LINE. IT IS MY CONTINUED HOPE THAT THE SUCCESS OF THESE PROGRAMS WILL CONTINUE TO SERVE AS A BAROMETER OF OUR COMMITMENT TO MEETING THE NEEDS THAT CHALLENGE US AS A NATION.

I APPRECIATE THE EFFORTS OF OUR WITNESSES TO SHARE WITH US THEIR OWN PERSONAL THOUGHTS AND EXPERIENCES. IN THE END, HOWEVER, OUR GOALS REMAINS CLEAR AND THE SAME: TO PROVIDE STRONG AND MEANINGFUL ASSISTANCE AND SUPPORT THAT RESULT IN THE WELL-BEING OF ALL AMERICANS. I LOOK FORWARD TO YOUR TESTIMONY. MOST IMPORTANTLY, I AM EAGER TO HEAR YOUR RECOMMENDATIONS.

Mollie Orshansky

Answer to Representative Hall

Your question on "how to help the poor gain a new identity" leaves me quite sad. When I wrote those words -- in 1965 I felt fortunate to be in an agency that considered its mission covered research into the economic well-being of differing segments of the U.S. population. That, fortuitously or otherwise, led to findings about the time that the "War on Poverty" of 1964 was announced -- findings which coincided in part with the goals and dimensions of that program.

Because some of my superiors, and even some of theirs, had been involved early on in the Safety Net Legislation that remains as the legacy of the Great Depression -- Social Security, Public Assistance, Unemployment Insurance, Wage and Hour Laws and the like -- one could mentally relive the hope and excitement of that period, and wonder how the "new" addition would work out. To be part of that effort, even peripherally, was challenging. Dared one (could one?) hope the results would be as effective and as lasting.

Surely, no one, not even I, believed that we could "cure" poverty for all time, or even define it forever, but there would be achievements wouldn't there with all the brains and hearts involved? But then, how is it that more than a quarter of a century later we struggle still with better ways to define (and count) those to be served rather than with inventing, adjusting, improving or repealing the mechanisms by which to perform such service.

I assumed it was helping the poor we were attempting, both in the immediate sense of providing necessities and American amenities they lack now, but also with a view to providing what it takes to keep them out of poverty and where possible particularly for children and young people whose earning years are still ahead, to keep them from needing assistance in the first place. I am mindful of the fact that the War on Poverty was implemented by the Economic Opportunity Act, described once by Secretary Wilbur Cohen one of the Social Security "Golden Oldies" as a "handup, not a handout" (I wasn't sure I agreed then; I wish someway we had done it).

We have with special programs Medicare, higher Social Security Benefits based on wage-opportunities alleviated much poverty among the aged today, but with teen-age pregnancies, high-school dropouts, etc. are we so sure we won't have more tomorrow? That calls for changing or reviewing programs, more than changing or reviewing definitions.

Do we know why or whether large members of putatively eligibles for food stamps don't get their benefits? Or if they do qualify, are they perhaps driven to short-selling them for less because they need cash for necessities existing programs don't

provide for? Aside from whether the "multiplier" -- the amount by which estimated food costs initially were converted into a total poverty income should now be greater (and it should), are we less concerned that today's "thrifty food plan", the basis for determining a family's food stamp entitlement, is at least 20% lower in dollars than it ought to be? In testimony before the House Subcommittee on Census and Population on January 30, 1986 (See Committee Print Serial No. 99-51, p. 116ff), I pointed out that the USDA Thrifty Food Plan, supposedly updated in 1983 to reflect a 1977-78 Consumer Survey of consumption patterns of families putatively eligible for Food Stamps, had been lowered by 24% in order to keep the cost (in current prices) no higher than the pre-survey Food Plan. What disturbed me then, and now, was that it was not stated "up front" that this was so. Problems about not keeping up with changing customs pale before this slight of hand. To my surprise neither Congress nor the experts, including the many respected poverty researchers, nor anyone else seemed concerned even when I belatedly reported it. Add in the fact that for a time, even quite recently, the special WIC food program for pregnant and nursing mothers and their infants was underfunded. That's one way not to give the poor a new identity!

Year after year our poverty statistics show that children in large families headed by someone with little education are likely to suffer. One of the last "big" experts on poverty stated: "We have long known that childhood in a large family as opposed to a small one could often be synonymous with growing up poor. Evidence now suggests that any such disadvantage persists into childhood and even into old age. Unlike the only child or one with just one brother or sister a youngster from a family with four or more brothers and sisters is apt to leave school early, have less chance to become a professional, face raising a family on an inadequate income and stand a greater chance of a poverty-stricken old age. Such patterns of fate suggest themselves, in varying degree, for white and black alike, for both men and women, and for natives of large cities as well as those born on farms or in small cities (see Social Security Bulletin, January 1976, p. 21).

Admittedly, this was a small study and follow-up work didn't get completed. But aren't there lessons here for all of us, churches, schools, government officials, researchers, successful neighborhood denizens to serve as role models? Will it really matter if we investigate some of these leads before rather than after finding the one and only definition of poverty and its permanent cure?"

In this connection, I should like to end with two commendations (!). First, one group that takes an active part in caring and working for children is the Children's Defense Fund under the leadership of Marion Wright Edelman and her dedicated staff. I'm sure she never misses out on a way to change the identity of disadvantaged tykes (and their parents). And finally, from my past I drudge up a challenging memory:

Not long after coming to the Social Security Administration in February 1958, I attended a staff meetings arranged by Mrs. Merriam - another "Golden Oldie" - for the professional staff (including those from the Children's Bureau of Public Assistance, still part of SSA).

The guest, just in from New York City where he was the departing Commissioner of Welfare, was Henry McCarthy, telling us some of his experience as he prepared for a new job. It was a time when Puerto Rican immigrants in large numbers were arriving in New York, many to land on AFDC welfare rolls at least at first. He talked about the challenge of this group and how he knew their hard work would see them doing well on their own in the not too distant future. Then he talked about special programs he (and his Department) had worked out for these recipients. Many of the men -- and even women -- would need to work, but finding jobs was not easy for persons with little education, inability to speak English, and few skills in getting and holding jobs. He had instituted special short courses -- even some at night for women who had to mind the children in the daytime -- basic English, enough to follow instructions, follow customs in dress and appearance that would help at jobs. (Many of the men and women would work in hotels or in restaurants at low wages, but they would be able to get off welfare. The mothers got some help in cooking and shopping in NY food stores, seeing that children got to school, etc. Every one was pleased. Some HEW employee present wondered aloud whether it was right to let the recipients feel they had to participate, even if they weren't told so, out of fear they'd be denied assistance.

"I don't know", McCarthy replied. "It's possible but I left a graduation ceremony to come here today. Everyone present, man or woman, and even children, was scrubbed, proud and shiny. They accepted their certificates, made a little speech of thanks with such pride and pleasure; I have no reservations about the program". Nor have I.

There must be such innovations in some places in some programs even now. I'd like to think somehow there's a way for any recipient or other poor person coming into a "program" offered to be steered in the right direction: to another program for which (s)he might be eligible, for legal aid, if necessary, for counseling, if relevant, for help in up grading job skills where appropriate. We not only need a better "system", but a guided tour of how to work it! Along with defining or redefining poverty, could we also be reminded ourselves and others, that the efficacy of many measures cannot be assessed simply on a year by year basis, but over a period of time for long term effects to show up.

And, for the last: The Social Security Act and all it symbolizes was born long ago in a coming together of advocates and experts from all over the country. They came, uninformed -- or perhaps unimpeded -- by statistics; there were none ; by precedents: only experiences in other countries different in size and resources were available by political alignment: as Frances

Perkins said, FDR would consider helping the obviously needy, "but not with the able." Moe, Perkins assembled and chaired a Committee on Economic Security drawn from Universities, Industry, Unions, and Ideologues. Many held long-standing ideas or prejudices. Because nothing was in place they didn't have to worry about "changing things", there wasn't much to guide them, as to political alignment. But different points of view were honed and welded to yield a complex system which endures. They were taking care of poverty in their day and planning for the future too. I remember MS. Perkins at some anniversary celebration of the passage of the Act describing the Committee's deliberations and how they waited listening to President Roosevelt's address over the radio to see if he would accept what they had wrought and how they cheered as he made "his announcement".

I've often wished I'd been around to know what was going on, and have met with some who "were there!" and others who joined the new Social Security Board soon after it began.

It is foolish to wonder if it's worth trying again -- A New Committee on Economic Security for the nineties -- while there are still some of the "originals" left? It would be at least interesting to have a mingling of disciplines - Law, Economics, Political Science, Social Work, Advocacy, Administrator - to see if our experience, our wealth of data, our automated files, and even some of the "subjects" brings forth any consensus.

Perhaps now, in reflection, I'll be a little more sympathetic to mere tinkering with the poverty line. It sure is easier!

Prepared Statement of Patricia Ruggles, Author and Senior Economist, Joint Economic Committee

Mr. Chairman, I am happy to be here today to testify on poverty measurement and its consequences for programs to fight hunger and poverty, and I commend this Committee for its consideration of this important topic. The specific poverty measures that we use shape our perceptions of the extent of real economic need and of the characteristics of those who are most deserving of our help. Given the importance of these measures in setting public policy goals and in assessing public programs, it is imperative that we devise a poverty standard that is as meaningful and as realistic as possible.

It has now been 27 years since Mollie Orshansky published her first article using the measure that has become the basis for official U.S. poverty statistics. That measure represented a reasonable estimate of minimum family needs in 1963, but it has never been updated to reflect changes in consumption patterns and standards of living since the early 1960s -- in fact, that measure is based on consumption data from the mid-1950s. As was noted by a selection of expert witnesses who testified before the Joint Economic Committee this June, a complete review of the official poverty measure is long overdue.

I. Problems in Poverty Measurement

Until recently, most of the attention given to poverty measurement has focused on measuring the incomes of the low-income population, and specifically on whether to count benefits received in kind rather than in cash. This is an important question, because many of the poor do receive some in-kind benefits such as medical care, and many people who lack basic resources such as food and housing would not be counted as poor if such in-kind benefits were included in their incomes. If, as I believe, the major purpose of a poverty measure is to assess the size and

characteristics of the population who do not have access to minimally adequate material resources, counting such benefits as if they were income is inappropriate, because they cannot be used to pay for most basic consumption needs.

Although the measurement of income and specifically the treatment of in-kind benefits has received a great deal of attention, in my view it is not the most important issue in measuring poverty. An even more basic issue is the method we choose to draw a specific poverty line and to update it over time.

As Ms. Orshansky has testified, she originally set her poverty thresholds using minimally adequate food budgets for families of various sizes and types that had been calculated by the Department of Agriculture, and that therefore had some claim to "scientific" accuracy. She simply multiplied these by a factor of three, on the assumption that food typically represented about one-third of total expenditures. This one-third estimate, in turn, came from a 1955 food consumption survey.

Because these original food budgets varied by family size and by factors such as the age and sex composition of the household, Orshansky's poverty thresholds also varied by these factors. These variations were based entirely on the Department of Agriculture's estimates of differences in necessary food consumption, with no adjustment for differences in other consumption needs. These scales, with only minor changes, are still the basis of today's official poverty thresholds. In 1969, a slightly modified version of the Orshansky scale was mandated by the Bureau of the Budget as the standard poverty measure to be used by the government statistical establishment as a whole.

Orshansky's benchmark of about $3000 for a family of four in 1963 was a reasonable starting place in measuring poverty in the United States. A review of other studies from the period and indeed of Orshansky's major critics, shows that this cutoff, however derived, was about in the middle of the range then considered reasonable for a poverty threshold. Starting with this single threshold, however, it is possible to derive a number of different thresholds today, depending on the methods used to update the measure for change over time.

Why do we need to adjust poverty thresholds for change over time at all? The most obvious answer is because prices change. An amount of money that was adequate for a family in 1969 would buy far less ten years later. Even if one thinks of poverty as resources below some "absolute" level of consumption -- a certain amount of food, clothing, housing, medical care -- that is not expected to change over time, it is still necessary to adjust for price changes -- in other words, to keep the real purchasing power of the standard the same over time.

Prices, however, are not the only things that change over time. People's incomes and family structures also change, and so do the goods and services that are available for consumption. Since 1955, when the consumption data underlying our official thresholds were collected, consumption patterns have changed significantly. Some goods commonly consumed today did not even exist in 1955, and others were relatively rare. Most families with children could count on the services of a full-time homemaker in 1955, and many fewer children lived with only one parent.

The relative price of housing, in particular, is very different today than it was in 1955. In 1955, the average U.S. family spent about one-third of its income on

housing. Today, it is about 42 percent. All of these changes contribute to changes in minimum family needs over time. As a result, any given fixed "market basket" of necessary goods will eventually become outdated, as changes occur in both consumption patterns and the structure of family needs.

Over short periods of time -- even as much as a decade -- indexing thresholds for price changes may be perfectly satisfactory. However, any "absolute" standard, like the official U.S. standard, that relies on price-indexing alone will not capture changes in consumption patterns. Such changes may also affect the amount of income needed to provide a minimally adequate level of consumption.

Thus, the most obvious problem in adjusting an absolute standard only for price changes is that over the very long run the goods available will change almost beyond recognition -- and these changes in turn will affect our perception of needs. A century ago, for example, few households had indoor plumbing or electricity. A set of minimum consumption needs established in 1890 and indexed for changing prices alone would exclude such goods, even though they are now considered basic needs. Even the current U.S. standards, based on 1955 consumption data, implicitly exclude many goods (such as the telephone) that have become common among lower-income households only in the last 35 years.

Over several decades, relative prices as well as available goods and services will change, and such shifts must be considered in defining the market basket of basic goods that underlies any absolute definition of minimum needs. Further, as long as there is some real economic growth, incomes will generally rise relative to

prices; so if poverty thresholds are adjusted only for prices, they will fall farther and farther behind average standards of living.

All of these factors lead to the conclusion that indexing poverty thresholds for price changes alone over very long periods of time, as the official measure does, does not offer a very realistic measure of changes in minimum needs.

As Adam Smith put it more than 200 years ago, poverty is a lack of those necessities that "the custom of the country renders it indecent for creditable people, even of the lowest order, to be without." Such necessities cannot be identified in some neutral, scientifically correct way -- they do indeed depend on the "custom of the country," and some judgement as to what that custom requires must enter into their selection. Even if we accept the view that the U.S. poverty standard represented a reasonable social minimum in 1963, when it was first estimated, normative standards change over time, and norms such as the poverty line must consequently be reassessed periodically.

The poverty standard is important in the United States today not only as a tool for general policy assessment but also because eligibility for certain assistance programs reflects this standard. In other words, the U.S. poverty line is being used not only for statistical purposes, but also to make very basic choices about who will receive help and who will not. Under these circumstances it is particularly important that it should in fact allow consumption of those goods that "the custom of the country renders it indecent...to be without."

II. Alternative Poverty Measures

If adjusting for price changes alone (as the official poverty measure does) is not adequate, what alternatives are available? As early as 1968 the Social Security Administration, then Mollie Orshansky's employer, proposed updating the poverty line by using new data on food consumption to estimate the share of family budgets going to food.

Data from the 1965 Food Consumption Survey indicated that over the decade between 1955 and 1965 the share of the average family's budget going to food had declined from about one-third to about one-fourth. If these data had been used to update the poverty line, therefore, the 1968 Department of Agriculture food consumption guidelines would have been multiplied by four rather than by three, resulting in a considerably higher poverty line. Food consumption has continued to decline as a share of family budgets, and if this same methodology were used today it would imply a multiplier of almost six, and a resulting poverty line that would be almost 70 percent higher than the official poverty line. For example, for a family of three in 1988 the poverty line under this measure would have been $15,945 instead of the $9,435 that it was under the official poverty measure.

Realistically, however, food is not the only necessity that families must purchase, and prices and consumption patterns for different goods may change at different rates. Therefore, a measure based on a more representative sample of basic goods will track these changes better than a relatively crude measure based on one good alone, even if that good is something as important as food. Today we have the data to construct a more complete market basket of necessary goods, and to

update that market basket to reflect changes in consumption patterns and in community living standards.

Constructing and updating such a market basket is much more than any one person could do; it would require a team of experts from Census and the Bureau of Labor Statistics to establish and maintain such a project. To indicate the general range of such a market-basket based measure, however, I have calculated a simpler alternative poverty measure based on the Department of Housing and Urban Development's guidelines for family spending on housing and data on Fair Market Rents. Details on this measure are given in my recent book, *Drawing the Line: Alternative Poverty Measures and Their Implications for Public Policy.*[1] It should be stressed that this measure is just as approximate as Mollie Orshansky's original measure -- its purpose is simply to illustrate that any consumption-based measure will be substantially higher than the official measure. And indeed, this measure, like the measure based on an updated food multiplier, results in a set of poverty thresholds that are over 50 percent higher than the official ones -- or about $14,530 for a family of three in 1988, for example.

III. Policy Implications of Alternative Poverty Thresholds

Alternative poverty thresholds can have very different implications for measured poverty rates -- in general, the higher the threshold, the more people who will be counted as poor. Because income is not evenly distributed, however, a given percentage increase in the poverty threshold does not necessarily translate into a

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[1] Urban Institute Press, May 1990.

proportional increase in poverty rates. In fact, because so many families have incomes in the neighborhood of the poverty line, changes in poverty thresholds almost always have more-than-proportional effects on measured poverty rates.

Even fairly small changes in thresholds can have relatively large impacts on measured poverty rates and even on trends in poverty, as is seen when we compare the two alternative poverty measures discussed above with the official poverty measure (see Table 1). Under the official poverty measure, for example, poverty rates appear to have declined substantially since the recession of the early 1980s, when they peaked at over 15 percent for the population as a whole. By 1988, this estimate had fallen to about 13 percent.

Poverty rates are substantially higher under the two consumption-based standards, however, and decline relatively less over the past decade. Under the standard I have calculated using housing cost guidelines, for example, the 1988 poverty rate was about 23 percent, and the 1982 rate was about 25 percent. Under the standard calculated using an updated multiplier for food costs, the poverty rate was between 25 and 26 percent in both those years. In other words, using either of these consumption-based measures about one American out of every four was found to be poor during the 1980s. The percentage decline in the poverty population since 1982 is also smaller under these consumption-based measures than under the official measure -- indeed, the updated multiplier approach finds a small absolute increase in the poverty rate over this period.

Just as striking as the differences in total poverty rates under alternative thresholds are the impacts of these alternatives on the composition of the poverty

population (see Table 2). Because the distribution of income varies across population groups, relative poverty rates will also vary depending on the level of the poverty threshold. This can be seen most clearly by comparing the poverty rates for the elderly to those for all persons under the various thresholds.

Under the official threshold, the poverty rate for the elderly is well below that for all persons -- 12 percent for the elderly compared to about 13 percent for all persons in 1988, for example.[2] Under the two alternative measures, however, poverty rates for the elderly are actually higher than those for the population as a whole. As poverty thresholds rise, the proportion of the elderly shown as poor rises even more than that for the population as a whole. Under the updated multiplier approach, for example, about 32 percent of the elderly would have been counted as poor in 1988, compared to about 26 percent of the population as a whole. Under the alternative based on housing consumption, the rate for the elderly would have been almost 29 percent, compared to about 23 percent for the population as a whole.

This shift in relative poverty rates has important implications for public policy. One of the great anti-poverty success stories of the past two decades has been the decline in poverty rates for the elderly population. Almost 30 percent of the elderly were poor in 1967 under the official thresholds -- but by 1988 only 12 percent were. In contrast, the official 1988 poverty rate for the population as a

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[2] Even this differential would disappear if the same poverty thresholds were used for the elderly as for non-elderly people. Under the current measure, however, poverty thresholds are set a fairly arbitrary 9 to 11 percent lower for people aged 65 or over, compared to those for otherwise similar people under age 65.

whole is much closer to the 1967 level -- 13 percent in the later year, compared to 14.2 percent in the earlier one. The official poverty rate for the elderly fell below that for the general population for the first time in 1982, and has remained below the overall poverty rate since then.

Some analysts have argued that as the relative position of the elderly has improved -- even as federal budget constraints have become tighter -- a smaller proportion of our resources should be directed into programs serving the elderly. As seen here, however, the degree of improvement in the relative status of the elderly is quite sensitive to the specific set of poverty thresholds used.

Although changes in the relative poverty status of the elderly under alternative thresholds are the most dramatic examples of the impacts of the level of the threshold on the composition of the poverty population, the relative poverty status of other population subgroups can also be affected. Poverty rates for children, for those in female-headed families, and for non-whites, for example, are always well above those for the population as a whole, but the gap does narrow slightly (at least in percentage terms) as thresholds rise. In general, as poverty thresholds rise the population seen as "poor" comes to resemble more closely a cross-section of the population as a whole -- although obviously under any of these definitions children, those in female-headed families, and non-whites are still far more likely to be poor than is an average white adult.

Conversely, a threshold -- like the official measure -- that is fixed in absolute terms, and that therefore does not keep up with median family incomes over time, will gradually come to identify a narrower subset of the population as poor. This

will occur even if there is no change in the overall distribution of income across demographic subgroups.

Being identified as "poor" or "not poor" does not normally make the individuals involved any better (or worse) off, since most government benefit programs have eligibility standards that are not tied directly to the official poverty measure. In fact, the two major programs that do use a variation of the official measure in determining eligibility -- the Food Stamp Program and the Medicaid Program -- both use cutoffs that are substantially higher than the official poverty guidelines. In the case of Food Stamps, families with incomes below 130 percent of poverty are eligible, and in Medicaid eligibility has recently been extended to mothers and young children in families with incomes below 133 percent of poverty.[3] These higher eligibility thresholds are perhaps an implicit acknowledgement that our current official poverty thresholds do not represent a realistic minimum standard of consumption.

Aside from any direct program impacts, however, a shift in measured poverty rates and in the apparent composition of the poverty population may also have some political consequences. As the characteristics of the poverty population diverge farther from those of the "typical" family, the poor are likely to become more isolated politically, and to be seen as an "underclass" whose problems are principally

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[3] These eligibility thresholds are tied to the so-called "OMB poverty guidelines," which are derived each year by the Department of Health and Human Services using the previous year's official Census poverty thresholds, updated crudely for projected price changes. It is the Census thresholds rather than these guidelines that form the basis for our official poverty statistics, however.

caused by their own aberrant behavior. This perception may in turn undermine support for programs designed to combat poverty.

IV. Conclusion

The specific poverty measures that we use have played an important role in shaping our perceptions both of the extent of real economic need and of the characteristics of those who are most deserving of our help. Ultimately, different measures may well lead to different priorities in setting anti-poverty policies. Probably the single most important aspect of a poverty measure, in terms of its impact on public policy, is the proportion of the population that it suggests to have inadequate levels of consumption. For that reason, my discussion today has focused on this aspect of poverty measurement.

Social and political concerns about poverty arise from many different causes, but almost all of them have to do either with basic notions of fairness and justice or with concerns about the impacts of very low levels of consumption on future needs, abilities and behavior. In either case, these concerns are likely to be much stronger with regard to some types of consumption than for others, and it is appropriate, in a policy context, to weight those types of consumption more heavily in determining "need." Poverty thresholds used for policy purposes should be based on a careful assessment of such consumption needs, and not on an arbitrarily chosen standard updated for price changes alone over time.

After more than 25 years of price adjustments alone our existing thresholds no longer provide a reasonable measure of minimum consumption needs, and so

revision of our system of poverty thresholds is clearly the most pressing priority in revising the U.S. official poverty measure. Before closing, however, I would like to briefly touch on some other problems with the current measure.

A second major priority in revising poverty measurement in the United States is the re-examination of our system of adjusting thresholds for differences in family needs across families of different sizes and types. While the overall variation in thresholds by family size embodied in the official measure is fairly reasonable, and is in the range used by most other countries, the specific adjustments for additional people across family sizes and types are extremely irregular and appear to be without any theoretical or empirical foundation. Re-estimating these needs by family size directly would certainly be the preferred approach, but failing that the curve could at least be smoothed out, so as to provide similar-sized adjustments for each additional person.

In addition, poverty thresholds for the elderly are currently set about 10 percent below those for the non-elderly, and we should reconsider this apparently arbitrary differential. This differential arose from differences in the Department of Agriculture's food budgets for elderly and non-elderly persons, which were in turn based on assumed differences in caloric needs. The elderly have higher needs than the non-elderly in other areas, such as medical care, however, and there is no strong evidence that overall needs decline with age. At this point, unless new evidence on differences in consumption needs can be obtained to back it up, this differential poverty line for the elderly should be abolished.

On the other hand, we already have strong evidence for differences in price levels by region and, to a lesser extent, by urban versus rural residence. Given the size and persistence of these differentials, the time has come to consider incorporating adjustments for them into our poverty thresholds.

In defining income -- the only area in which substantial changes have been widely considered -- we should move to an after-tax basis for measuring income, and we should also incorporate "cash-like" in-kind benefits such as food stamps into our measure of disposable income. In practice these two changes would largely offset each other for the measured poverty rate as a whole, although of course specific individuals would not necessarily be affected by both to an equal degree.

Less fungible forms of in-kind benefits such as medical care should not be included in income for the purpose of measuring poverty, however. Although these benefits are valuable in themselves, it is not clear that they contribute to minimally adequate levels of consumption for other goods. Treating them as if they were fungible sources of income that could be spent at will to meet general consumption needs is therefore misleading. For example, under such a measure of income a single elderly person receiving Medicaid would not be poor in New York City even if he or she had no cash income at all -- an obviously unrealistic result.

Finally, we now have the data to consider assets and other resources in measuring poverty. Particularly if we start to produce some statistics that consider spells of poverty based on shorter accounting periods, as is possible with our newly available longitudinal data, it would be useful to consider ways to include asset data in our assessment of poverty status on a routine basis. At a minimum, regular

publication of data on the asset holdings of the low-income population would help us to judge the severity of the remaining unmet needs of the poor.

It has now been more than twenty-five years since Mollie Orshansky's original work on measuring poverty in the United States was published, and the data underlying that work are now 35 years old. The standard Orshansky devised was reasonable, given the data and tools she had at hand, and the regular publication of poverty statistics based on that standard in the years since then has proven invaluable to policy makers and analysts alike. Nevertheless, many changes in both our society and our data resources have occurred since the early 1960s. It is past time for an overhaul of our poverty standards to bring them into alignment with today's world.

Table 1. Poverty Rates for Selected Years Under the Official Measure and Two Alternatives

Year	Official Measure	Measure Based on Housing Consumption [a]	Measure Based on Updated Food Multiplier [b]
1972	11.9	n/a	17.3
1977	11.6	20.7	18.0
1982	15.0	25.1	25.5
1987	13.5	23.4	25.9
1988	13.0	23.0	25.8

Source: Calculated from the Current Population Survey for years shown. Data for 1972-1987 from P. Ruggles, *Drawing the Line*, Table 3.4, p. 55 (Urban Institute Press, 1990). Data for 1988 from a forthcoming Joint Economic Committee Staff Study.

a. Based on Fair Market Rents and Housing Affordability Guidelines used in the Section 8 subsidized housing program. See Ruggles, op. cit., for details on the method of calculation.

b. Calculated using the same general methods as the original Orshansky standard, but with a "multiplier" updated to reflect the changing share of food in family budgets. See Ruggles, op. cit., for general discussion and Appendix A for details on the method of calculation.

Table 2. Poverty Rates for Selected Population Groups Under the Official Measure and Two Alternatives, 1988

Group	Official Measure [a]	Measure Based on Housing Consumption [b]	Measure Based on Updated Food Multiplier [c]
Poverty Rate for:			
All Persons	13.1	23.0	25.8
Persons Under 18	19.7	31.3	34.6
Persons Aged 65 and Over	12.0	28.6	32.4
Persons in Female-Headed Families	32.8	48.2	51.3
Whites	10.1	19.3	22.1
Non-Whites	31.4	46.1	49.4

Source: Calculated from the March unrevised 1989 Current Population Survey, which provides data on family incomes in calendar year 1988. Taken from a forthcoming Joint Economic Committee Staff Study. Methods used to derive figures are discussed in Ruggles, *Drawing the Line*, Chapter 3 and Appendix A, and comparable figures for 1987 are given in Table 3.5, p. 57.

a. Based on unrevised data. The Census Bureau has just released revised figures for 1988 which show the official poverty rate for all persons at 13.0 percent, but detailed data tapes containing these revised data are not yet available.

b. Based on Fair Market Rents and Housing Affordability Guidelines used in the Section 8 subsidized housing program. See Ruggles, op. cit., for details on the method of calculation.

c. Calculated using the same general methods as the original Orshansky standard, but with a "multiplier" updated to reflect the changing share of food in family budgets. See Ruggles, op. cit., for general discussion and Appendix A for details on the method of calculation.

Prepared Statement of William P. O'Hare, Director, Policy Studies, Population Reference Bureau, Washington, DC

I would like to thank the members of the House Select Committee on Hunger for giving me the opportunity to present my views on the shortcomings of the government's official poverty line. The members of the committee are to be commended for taking the initiative to hold such a timely hearing on this topic. As interest in poverty measures grow, the flaws in our current standard are becoming increasingly apparent.

My message here today is very simple. I believe that the government's official poverty line is inconsistent with the perception of poverty held by the American populace. The official poverty line is too low and millions of low-income Americans who are poor in the eyes of their friends, families and neighbors are not included in the government's official tally of the poor. Use of the official poverty measure distorts our understanding of poverty and understates the dimensions of poverty and hunger in America.

A few months ago some colleagues and I reported the findings of a study we conducted during late 1989 and early 1990 which shed some light on this topic. In that study we commissioned the Gallup Poll to ask a cross-section of 3,511

adults what they think the income threshold should be in their community to determine whether or not a family is poor.

The results of the study indicate that the American public thinks the poverty line should about 24 percent higher than the government's official poverty line. Based on the official poverty definition, the poverty threshold for a family of four was $12,092 in 1988, while the average response from this nationally representative sample of Americans would have placed the threshold at $15,017.

If the poverty line reported by the public were used in place of the official poverty line, we would have a poverty population of close 45 million rather than the 32 million reported by the government. Nearly 13 million people who have incomes just above the official poverty line are not counted as poor by the government, but are considered to be poor by their neighbors.

I should note that this is a conservative figure on the number of people who are poor. Another question which has been used by the Gallup organization for many decades asks people how much money it takes to "get along in their community." If responses to this question were used as the poverty line, the poverty threshold for a family of four would be $20,913: 73 percent higher than the official figure.

While perceptions of where the poverty line should be set varied from group to group, none of the groups we examined thought the poverty line should be as low as the

official government thresholds. Some of the groups thought it should be as much as 39 percent higher than the official thresholds.

I would like to submit a copy of the report which documents these findings and have it included as part of my testimony on this matter.

I believe that the fact that most means-tested programs use income eligibility thresholds that are well above the poverty line is evidence that many policymakers share the public's view that the official poverty thresholds are unrealistically low.

There are many technical reasons why the official poverty line differs from the public perception of where the poverty line should be set. These are covered in Dr. Ruggles' book. I will not dwell on them here, except to say that I concur with Dr. Ruggles' conclusion on this matter.

The unrealistically low poverty thresholds used by the government also affect the public's perception of the problems of poverty and hunger in America. This perception has been further distorted by media stories claiming that there are really not as many poor people as the government says because noncash benefits are not included as income. Our study showed that even if all major means-tested noncash benefits were counted as income (including medical assistance), the number of poor would still be 39 million: 24 percent higher than the official number.

The mismeasurement of poverty clearly has implication for our efforts to alleviate hunger in this country. In preparation for this hearing I performed some additional analyses which demonstrate one of the implications of the "real life" poverty line. While 52 percent of families below the official poverty level reported receiving food stamps during 1988, only 43 percent of those families with incomes below the "real life" poverty line received food stamps in 1988. Use of the "real life" poverty line indicates that the gap between those in need and those served by the food stamp program is even larger than the gap reflected by use of the official poverty line.

In summary, I believe that official poverty thresholds are too low and that this provides a distorted picture of America's needy population. The misunderstanding about the size of the poverty and hunger problems in our Nation impedes our ability to solve those problems.

This concludes my testimony. I would be happy to answer any questions the committee members might have.

Additional Questions for William O'Hare

Submitted by Hon. Tony P. Hall

Question. You mentioned two different questions that were asked in the survey, one about "poverty" and the other about "getting along." Could you elaborate on the difference between those two?

In our study we commissioned the Gallup organization to ask the question:

> People who have income below a certain level can be considered poor. That level is called the "poverty line." What amount of weekly income would you use as a poverty line for a family of four (husband, wife and two children) in this community?

While this was the first time this question had been asked in the Gallup poll, a similar question had been asked in past years. For more than four decades the Gallup organization has been asking the American public a question about how much money it takes to get along in their community. The responses to this question have been used by many researchers to identify a low-income or poverty population. The similar question was:

> What is the smallest amount of money a family of four (husband, wife and two children) needs each week to get along in this community?

In the 1989 poll, a decision was made not to use the question that had been asked in the past because it is not clear how "the smallest amount of money a family...needs each week to get along" is related to the poverty line. Instead, with the help of the Gallup Organization, the new question was devised to ask specifically about the public perception of where the poverty line should be set. For comparison purposes, Gallup was commissioned to ask the "get along" question in a different survey.

When the question about how much money is needed "to get along" was asked, the income levels provided by respondents were considerably higher than the income given in response to the question about where the poverty line should be set. When translated into an annual income level, the average answer to the question about how much is needed "to get along" was $20,913, or 73 percent higher than the government's poverty line.

Clearly the responses to our question on what the public thinks the poverty threshold should be provides a

conservative measure of poverty. Many well-respected researchers have used a measure which would produce a much higher number of poor than our measure.

Question. Most recently it has been reported that the disparity in income between the rich and poor has grown dramatically, especially in the last decade. Are such differences reflected in the current poverty rate?

The gap between the rich and the poor has been growing steadily for at least the past two decades. A recent Census Bureau[1] report indicates that the share of income accounted for the by the top twenty percent of households rose from 43.0 to 46.8 percent between 1969 and 1989, while the share accounted for by the bottom twenty percent declined from 4.1 percent to 3.8 percent during the same period. In other words, household in the top twenty percent have more than ten times as much income on average as those in the bottom twenty percent.

However the index used to identify those who are poor has not been adjusted to reflect this growing disparity. The poverty measure has been adjusted each year to keep it at a constant real dollar level. If the poverty index had been adjusted to reflect relative poverty rather than an absolute measure, the number of poor would have increase during this period.

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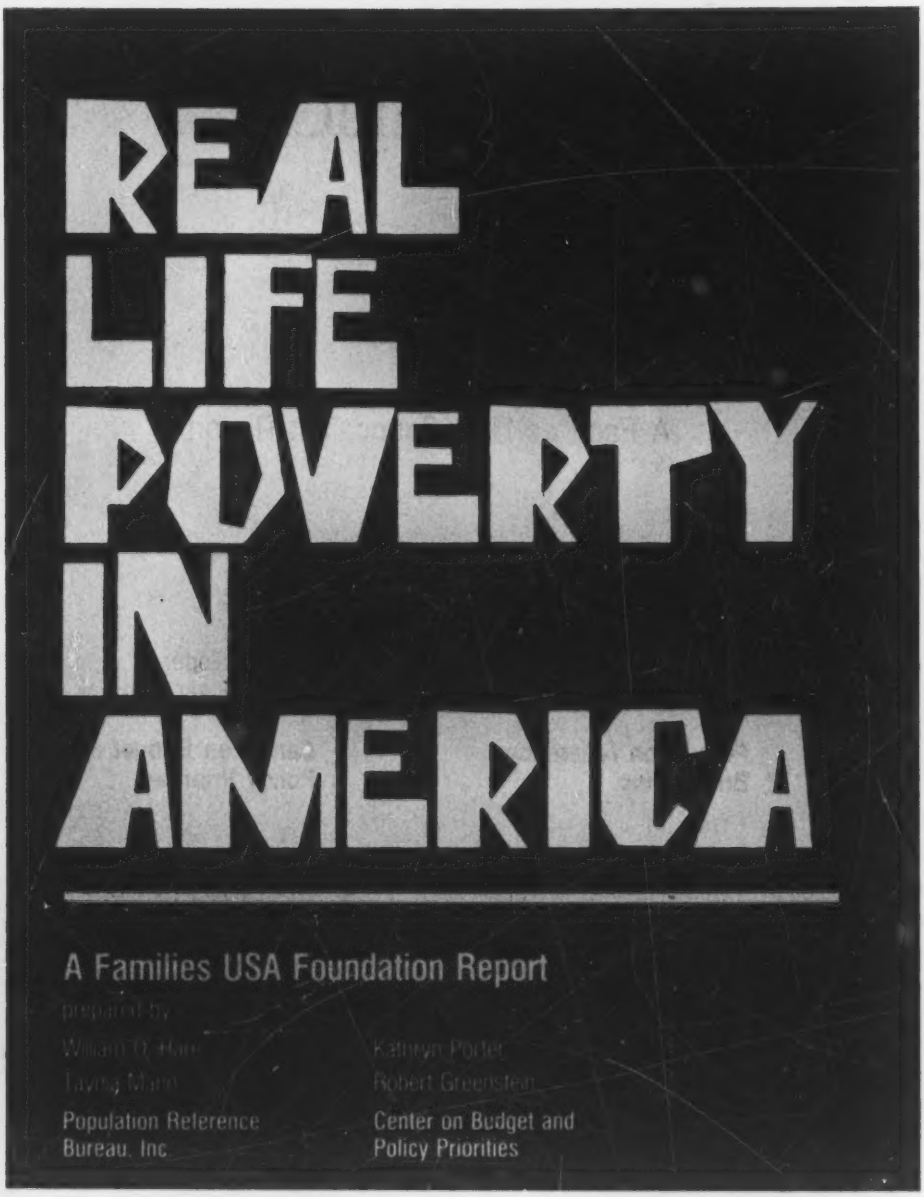
[1]. U.S. Bureau of the Census, 1990, "Money Income and Poverty Status in the United States: 1989," Current Population Reports, Series P-60, No. 168, U.S. Government Printing Office, Washington, D.C.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KEY FINDINGS

Where should the poverty line be set? This question involves a basic decision by society about the minimum standard of living it considers acceptable, and below which a family should be considered poor. This is not purely a technical issue; technical analysis alone cannot settle the question of what should be considered the minimum income needed for a decent standard of living.

To find out where the American people think the poverty line should be set, the Gallup organization was commissioned to conduct a poll of a representative sample of the population. This study presents the results of that poll.

The Real Life Poverty Line

The average poverty line set by the 3,511 survey respondents was $15,017 for a family of four. This is 24 percent higher than the government's poverty line of $12,092 for the same time period.* In every region of the country -- and in both urban and rural areas -- the poverty line set by a representative sample of the American public was higher than the government's poverty line.

This report examines how many Americans would be considered poor if this more realistic measure of poverty -- which we call the real life poverty line -- were used.

The Results

Under the government's poverty line, 13 percent of Americans are said to be poor. However, when the poverty line set by a representative sample of the American public is used, 18 percent are found to be poor.

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*Both the real life poverty line and the government's poverty line are expressed here in 1988 dollars.

Using this real life poverty line, a total of 44.6 million Americans were poor in 1988. This is nearly 13 million more than the 31.7 million said to be poor under the government's poverty standard.

Among virtually all groups of Americans, the number of poor people is found to be substantially larger when the real life poverty line set by the public is used (see Table A).

- An additional 8.1 million white people, 2.4 million black people, and 1.7 million Hispanics would be considered poor under the real life poverty line. This represents an increase of 53 percent in the number of poor white people, and increases of 26 percent and 31 percent, respectively, in the number of poor blacks and Hispanics.

- The number of elderly poor rises by 3 million persons, an 88 percent increase. Under the real life poverty line, the poverty rate for elderly people is 23 percent, compared with a poverty rate of 18 percent for the entire population.

- The number of poor children rises by 4.3 million, a 34 percent increase. The real life poverty rate for children is 26 percent.

- The number of poor people with at least a high school education rises by 4.6 million, a 48 percent increase.

In every region of the country and in both urban and rural areas, the number of poor people is larger when the real life poverty line of $15,017 is used (see Table B).

The poll results can also be used to construct a poverty line that varies by geographic area. This can be done by setting the poverty line for each area at the level that poll respondents from that area said should be used to determine poverty status in their communities. This approach is intended to reflect a rough approximation of variations in the cost of living.

When this is done, the total number of Americans considered poor is about 44 million -- about 12 million more than are said to be poor under the government's poverty line (see Table E). In every part of the country, the number of Americans found to be poor is significantly larger than the number considered poor under the government's poverty standard.

- The increase is greatest in the West. An additional 4.2 million people in that region fall below this regionally adjusted real life poverty line. That represents a 66 percent increase over the number of people in the West considered poor under the government's poverty line.

- The number of poor people in the South rises by four million, a 30 percent increase.

- In the Northeast, the number of poor people rises by 2.4 million -- a 48 percent increase -- while in the Midwest, it rises by 2.4 million -- a 35 percent increase.

- In the nation's metropolitan areas, the number considered poor rises by 10.6 million, an increase of 46 percent. In nonmetropolitan areas, the number considered poor rises by 1.6 million, a 19 percent increase.

- The increase in the number considered poor is particularly sharp in the urban areas of the West, where living costs are high. The number of people in the urban West who fall below the poverty line that was set by poll respondents from that part of the country is 72 percent greater than the number considered poor under the government's poverty line.

The attached tables present the results of the polling data.

Study Methodology

Each month from July through October of 1989, the Gallup Organization asked a nationally representative sample of adult Americans the following question:

> People who have income below a certain level can be considered poor. That level is called the "poverty line." What amount of weekly income would you use as a poverty line for a family of four (husband, wife and two children) in this community?

This level of weekly income was converted to an annual figure and adjusted for inflation to make it comparable with the most recent poverty line set by the federal government, which is for 1988. The figure for a family of four was used to create poverty lines for families of different sizes using the same method as is used for the government's poverty lines. While the government's poverty line

includes a separate, lower poverty standard for the elderly, the poverty line based on the results of the Gallup poll does not. Most analysts do not feel a separate standard for the elderly is justified.

How the Government Sets Its Poverty Line

The methodology used by the government to set the poverty line is 25 years old -- and is based on assumptions that are now outdated. In the mid-1960s, the government established its poverty line by taking the cost of the U.S. Department of Agriculture's least expensive food plan and multiplying that cost by three. This methodology was based on survey data from the mid-1950s, which showed that the average American family spent about one-third of its budget on food. Each year since 1969, the government has increased the level of the poverty line to take into account inflation during the previous year.

The poverty line methodology used by the government has been subject to criticism for being increasingly out of date. Since the 1950s, the proportion of its budget that the average American family spends on food has declined, while the proportions spent on housing, health care, and child care costs have increased. Today, the average American family spends less than one-fifth of its budget on food. If the original poverty line methodology were used -- but the cost of the Agriculture Department's least expensive food plan were multiplied by five rather than three to reflect current family budget patterns -- the poverty line would be raised to a significantly higher level.

Another criticism of the methodology used to set the government's poverty line is that the Agriculture Department food plan which was used is so spartan that it fails to reflect what low income families actually spend on food. The most recent government survey data on food expenditures and nutrient intakes show that the average low income family spends 24 percent more on food than the cost of the Agriculture Department's food plan -- and that fewer than one in 10 families that limit their food spending to the cost of this food plan manage to obtain the Recommended Daily Allowances for the basic nutrients.

Importance of the Poverty Line

The number of people considered poor has a significant bearing on the anti-poverty policies of our nation. The number of people reported to be poor affects public perceptions of the dimensions of the poverty problem. In addition, the government's poverty line is used in determining eligibility for a number of government benefit programs.

Table A
Number of People in Poverty and Poverty Rate
For Different Population Groups
Using Government and Real Life Poverty Line*

	Government Poverty Line		Real Life Poverty Line	
	Number of Poor (Thousands)	Poverty Rate	Number of Poor (Thousands)	Poverty Rate
All Persons	31,745	13%	44,585	18%
Age				
Children Age 0-18	13,069	19	17,542	26
Working Age 19-64	15,194	10	20,513	14
Elderly Age 65+	3,481	12	6,530	23
Education				
Less Than High School"	22,126	21	30,341	29
High School Graduate	6,490	9	9,632	14
Some College	2,047	6	3,019	9
College Graduate	1,081	3	1,592	5
Sex				
Male	13,599	11	18,952	16
Female	18,146	15	25,632	20
Race				
White (not Hispanic)	15,172	8	23,275	13
Black(not Hispanic)	9,136	31	11,523	39
Other races (not Hispanic)	2,079	19	2,747	25
Hispanic (all races)	5,357	27	7,040	35

*The government poverty line is $12,092 for a family of four; the real life poverty line is $15,017 for the same size family.

"Including children.

Table B
Number of People in Poverty and Poverty Rate
In Different Geographic Areas
Using Government and Real Life Poverty Line

	Government Poverty Line		Real Life Poverty Line	
	Number of Poor (Thousands)	Poverty Rate	Number of Poor (Thousands)	Poverty Rate
All Persons	31,745	13%	44,585	18%
Region				
Northeast	5,089	10	7,257	14
Midwest	6,804	11	9,864	17
South	13,530	16	18,457	22
West	6,322	13	9,006	18
Region and Urban/Rural Status*				
Urban	23,026	12	33,715	18
Northeast	4,467	10	6,349	14
Midwest	4,894	12	6,828	16
South	8,627	14	11,717	20
West	5,038	12	7,220	17
Rural	8,571	16	10,225	19
Northeast	616	10	899	15
Midwest	1,910	11	3,036	18
South	4,871	21	6,681	28
West	1,174	17	1,594	24

*"Urban" refers to areas designated by the Census Bureau as metropolitan areas. "Rural" refers to areas designated as non-metropolitan.

Table C
Number of People in Poverty and Poverty Rate
For Selected States
Using Government and Real Life Poverty Line

State*	Government Poverty Line		Real Life Poverty Line	
	Number of Poor (Thousands)	Poverty Rate	Number of Poor (Thousands)	Poverty Rate
Texas	3,006	18%	4,033	24%
Georgia	875	14	1,253	20
Florida	1,704	14	2,376	19
New York	2,369	13	3,195	18
California	3,687	13	5,133	18
Missouri	662	13	1,018	20
Illinois	1,436	13	1,923	17
North Carolina	796	13	1,155	18
Ohio	1,356	12	1,919	18
Michigan	1,112	12	1,586	17
Virginia	647	11	923	16
Pennsylvania	1,246	10	1,830	15
Indiana	560	10	802	15
Massachusetts	496	9	707	12
New Jersey	475	6	824	11

*Although these estimates are the best available, they are subject to more sampling error than the national or regional poverty rates. The state level poverty rates are derived from smaller samples than the national or regional poverty rates. The margin of error for the state level poverty rates in this table may be as much as three percentage points in either direction.

Table D
Real Life Poverty Line
Set By Poll Respondents From Different Geographic Areas

	Real Life Poverty Line for Area	As Percent of Government Poverty Line
National Average	$15,017	124
Region		
Northeast	15,486	128
Midwest	14,235	118
South	14,235	118
West	16,790	139
Urban/Rural Status*		
Urban	15,539	129
Rural	13,244	110
Region and Urban/Rural Status		
Urban		
Northeast	15,695	130
Midwest	15,069	125
South	14,652	121
West	17,155	142
Rural		
Northeast	13,922	115
Midwest	12,566	104
South	12,879	107
West	15,121	125

*"Urban" refers to areas designated by the Census Bureau as metropolitan areas. "Rural" refers to areas designated as non-metropolitan.

Table E
Number of People in Poverty and Poverty Rate
In Different Geographic Areas
Using Government and Real Life Poverty Lines
With Geographic Variations

	Government Poverty Line		Real Life Poverty Line with Geographic Variations	
	Number of Poor (Thousands)	Poverty Rate	Number of Poor (Thousands)	Poverty Rate
All Persons	31,745	13%	43,855	18%
Region				
Northeast	5,089	10	7,538	15
Midwest	6,804	11	9,156	15
South	13,530	16	17,528	21
West	6,322	13	10,494	21
Region and Urban/Rural Status*				
Urban	23,026	12	33,638	18
Northeast	4,467	10	6,683	15
Midwest	4,894	11	6,874	16
South	8,627	14	11,435	19
West	5,038	12	8,646	21
Rural	8,571	16	10,217	19
Northeast	616	10	798	13
Midwest	1,910	11	2,247	13
South	4,871	21	5,567	24
West	1,174	17	1,605	24

*"Urban" refers to areas designated by the Census Bureau as metropolitan areas. "Rural" refers to areas designated as non-metropolitan.

EXAMPLE OF A POVERTY LINE BUDGET

An October 1989 study conducted by the staff of the Joint Economic Committee of Congress suggests that the current poverty thresholds can be unrealistic for many families. The study cites the example of a working mother with two children and earnings exactly at the poverty line.

If this mother spent $50 a week on child care, spent no more than 30 percent of her income for housing -- the housing affordability standard established by the Department of Housing and Urban Development -- and held her food costs to the amount of the Agriculture Department's least costly food plan, she would have just $30 a month left after taxes. This $30 per month would have to cover all her other needs, including clothing, medical care, and household items such as soap.

Moreover, the situation facing such a family would likely be even more difficult than this, because the family's housing costs probably would consume considerably more than 30 percent of its income. If the family spent only 30 percent of its income for housing, it would be spending just $226 a month for rent and utilities -- a highly improbable situation in many cities unless the family lived in public or subsidized housing. (Fewer than one-third of the poor do.) In most areas, HUD's estimate of the cost of a moderately priced two-bedroom apartment far exceeds $226 a month.

Source: "Alternative Measures of Poverty," staff study prepared for the Joint Economic Committee, U.S. Congress, Oct. 18, 1989.

Prepared Statement of Rev. Charles A. Parker, Executive Director, Bread for the City, Washington, DC

I. Introduction

My name is Charles Parker and I am the Executive Director of a non-profit, church-sponsored hunger ministry called Bread for the City. BREAD was founded by a group of churches in the Thomas Circle area of the District of Columbia to supply food, clothing, and counseling and referral services to low-income residents of the District. We operate out of two sites: the main site is at 1305 14th St., N.W., and the second site is at 2525 Ontario Rd., N.W..

BREAD's food program is focused on people who live in homes but are below 130% of the poverty line (the level of income that serves as the cut-off for food stamps). They need to be residents of the District and must also fall into one of three categories: elderly, disabled and unable to work, or parents with dependent children. We provide a three day supply of food to about 2,000 families per month that meet these requirements

Much of the food that BREAD gives out is from the Temporary Emergency Food Assistance Program (TEFAP). Though the amount of TEFAP food available dropped off rather precipitously in 1988, it continues to make up part of our food bag.

We also distribute clothing, all of which is donated and given away free of charge to anyone in need. Last year we distributed over 100,000 articles of clothing. Lastly, we assist clients in making use of a variety of social service and entitlement programs. Food Stamps is perhaps the program with which we help the most.

II. BREAD's Clientele and the Poverty Line

a. Our Clients

As just noted, almost all of the people who receive food from BREAD fall below 130% of the poverty line. Our clients have homes and generally some sort of income, but they come to BREAD once a month when their income has run out and they have no food to eat. It is hard to argue that a person is not "poor" when they do not have the resources to buy food. And their situation is not the result of poor planning or buying expensive clothing. The majority are senior citizens. About 25% are parents with dependent children, about 20% are

people who are disabled and unable to work. They are people who live on the barest of essentials.

Many of our clients spend an extremely large percentage of their budgets on housing--often 50, 60, or even 70 percent. Nationally, 45% of renters below the poverty line paid 70% of their income for housing. For single parents who are working or in school, child care can also be quite costly. A cold winter with high heating costs, or a medical emergency of almost any type, can upset the fragile balance by which they live and throw them into a financial crisis.

b. The Poverty Line

In addressing the question of where to draw the poverty line, the first question is naturally what the purpose of this line is. While the eligibility criteria for a variety of federal programs are tied to the poverty line, the purpose of the poverty line itself is clearly not used as the criteria, since most are set at a certain percentage above the poverty cut-off.

The purpose of the poverty line seems to be to establish a sense of how many people in our country would generally be considered to be "poor." It is a measure of the success of our economy and an indication of where the problems are.

This is clearly the meaning that the average person attributes to the term "poverty." When I have the opportunity to speak around the city on hunger and poverty issues, and I tell my audience that over 20% of the District of Columbia lives in poverty, what they understand is that 20% of the city is poor. When I explain what the poverty line is and the actual income levels associated with it, people are invariably shocked. The poverty line, as it is currently calculated, in no way corresponds to what it generally means to be poor.

c. The Inadequacies of the Current Definition

The recent report produced jointly by the Center on Budget and Policy Priorities and the Families USA Foundation found that Americans thought that the term "poor" should be applied to an income 24% higher than the current poverty level. Again, our experience at BREAD echoes this sentiment. Our clients would, by virtually anyone's standards, be considered poor, yet many technically have incomes that exceed the poverty line.

There seems to be a tacit recognition of this reality in the fact that the government sets levels for several entitlement programs well above the actual poverty line. The limit for Medicaid is 133% of poverty; for WIC it is 185% of poverty. Perhaps the most ironic figure is that the Food Stamp program is open to people who live 30% above the poverty line when the poverty line is based on the amount it costs for a person to feed themselves. The eligibility levels for Food Stamps of 130% of the poverty line call into question whether the actual poverty line has any practical meaning at all, or whether it is merely a political statement.

III. Recommendations

I recognize that there are a number of questions about what sort of assets should or should not be included in the formula for any new poverty line. The first consideration, however, should be what the average person considers to be "poor." This will, of course, vary from region to region around the country. It makes no sense to have a poverty line that is the same for Washington, D.C. as for rural West Virginia. To try to do so makes it impossible to capture what it means to be poor.

The formula should also reflect the actual assets that a person has to spend. This will mean making factors such as housing and child care part of the calculation. If a family loses a subsidized housing unit and ends up having to rent on the open market, they have effectively had a major drop in income. This should be reflected in a calculation of whether they are "poor."

Given these factors, I would make the following recommendations:

1. Raise the poverty level to more adequately reflect a common understanding of what it means to be poor.

2. Allow for variations between regions and between rural and urban areas.

3. Change the formula to reflect the fact that the average family now spends closer to a fifth of their income on food, rather than a third.

4. Incorporate a person's actual housing and child care costs into the formula.

5. Include all sources of income, including non-cash benefits, so as to adequately reflect a person's actual spending power.

IV. Conclusion

I appreciate the opportunity to speak before the committee this morning. I hope that this hearing will result in a formula that will better reflect what it means to be poor in America. Thank you.

Additional Questions for Rev. Charles A. Parker

Submitted by Hon. Tony P. Hall

1. Do you think that a more accurate poverty measure, which by all accounts so far would result in a much higher poverty rate, would add new impetus in the fight against hunger and poverty? By making the "hidden poor" visible, do you think there would be a greater concern among the people and the Congress to do something?

I believe that a more accurate poverty measure would indeed add impetus to the fight against hunger and poverty. In fact, it is virtually the only reason to consider redefining the poverty line. While most federal poverty programs are linked to the poverty line, for the most part they are set a certain percentage above the poverty line: food stamps, 130%; Medicaid, 133%; and WIC, 185%. If the goal is to increase the income limits for these programs, that can be done by simply raising the percentage, e.g. food stamps could move from 130% of poverty to 150%. The only real reason to redefine the poverty line is to make visible the vast number of "hidden poor" that are in our country.

In regards to the second part of your question, I have to believe that when the general population begins to realize how many of the people in our country really are poor, they will be moved to do something. When our country recognizes that the prosperity of the eighties left so many people hurting, I trust that they will respond. My experience at Bread for the City is that when people know the facts, they want to respond. The goal of redefining the poverty line should be to generate this type of support by creating a system that adequately reflects what it means to be "poor" in our country.

2. You stated that Bread for the City focuses on people whose incomes are at or below 130% of the poverty line. To what extent are you forced to deny services to persons with incomes beyond that level?

One of the purposes of an organization like Bread for the City is to be able to catch people who are "falling between the cracks" of our entitlement system. We have the luxury of being able to use our resources to meet people's needs, without needing to have a sharp cut-off. Our income guidelines are indeed 130% of the poverty line. If people come in, however, that are somewhat above that figure, but still clearly in need (we have a fairly detailed intake procedure for clients), we will serve them. Our need to

deny people services is, unfortunately, more a function of financial limitations than anything else.

The poverty line becomes more of an issue in the use of government funds. For example, we received this year a grant of $50,000 from the Community Food and Nutrition Program, to do food stamp outreach. Because of their guidelines, we are only able to do this outreach with our clients who fall below the actual poverty line. This is a needlessly strict limitation.

Submitted by Hon. Bill Emerson

1. Rev. Parker, one of your recommendations was to raise the poverty level to reflect a common understanding of what it means to be poor. By seeing the individuals and families that visit Bread for the City, by your observations, what do you feel the poverty live should be at in order to adequately help those most in need?

It is difficult to come up with a specific number at which the poverty line should be set for a number of reasons. The first is that it should be able to vary from area to area around the country. What is "poor" in Washington, D.C., may not be poor in a small town in Missouri. Even within Washington, a person who is living in subsidized housing may have considerably more expendable income then someone who is not, even if their actual dollar income is exactly the same.

The research done by the Center on Budget and Policy Priorities and the Families USA Foundation in Real Life Poverty in America is a good place to start on this process. They found that the national average of what most people think it means to be poor was $15,017 for a family of four, almost 25% above where the current poverty line is set. Again, however, I would strongly recommend some way on incorporating regional variation and housing into the calculation.

2. How could you see the current system run more efficiently and be more sensitive to people's needs?

One of the central problems that I see with our system of public entitlements is that as a society, we have very mixed feelings about it. We are heirs to a strong "work ethic" tradition, which says that people are ultimately responsible for

their situation and have the responsibility to try to improve it. Yet we also recognize that there are groups in our society who are not "playing on a level field" and require additional support. We also recognize that children cannot be held responsible for the actions of their parents, but certainly suffer for them.

The way that we have tried to reconcile these conflicting values is to provide extremely minimal support through entitlement programs, and hope that the stigma attached to the aid and the minimal living that it permits will motivate people to become self-supporting. Unfortunately what has happened is that by limiting the infrastructure to help people improve their situations and by crushing their self-image, we have created people who are dependent on "the system." This is dehumanizing and degrading for those who are trapped in it, and frustrating for those of us who work.

The solution is to provide enough funding up front to give people the help they need to pull themselves out of poverty. We need to put money into educations and training, child care, and extending medical benefits to help people improve their conditions. In the long run, we will save money, because these same people will be earning their own income and contributing to the tax base. But we must acknowledge that it is not simply a matter of "pulling themselves up by their own bootstraps." We must invest the resources up front to provide the infrastructure to support them in this effort. This is the only way to help people really improve their lives and develop a compassionate system.

Prepared Statement of Mary Tamper, Private Citizen, Landover, MD

Hello, my name is Mary Tamper. Six years ago my middle class world as I knew it came tumbling down. My family at that time consisted of my oldest son Justin, my husband William, and myself.

My husband's chronic sore throat was discovered to have Lukemia. Shortly after William started his treatments, I found out that the apartment we lived in was being totally evacuated for some hot shot plan to change them into town-house. I was being faced with mounting hospital bills and trying to get money to move.

A week after starting chemotheray Williams kidney failed and he had repertory problems. The doctors told me he was doing much better - he was still a sick man - but he would be all right. Two days later he died of a heart attack.

As I tried to get my life together with work and my son, I became increasingly sicker. The doctors said it was stress from William's sickness and death. In December 1983, I found out I was four months pregnant with twins. It was then that I was told that something was wrong with one of the babies. I tried to work, but I could not. In January 1984, I was told that one of the babies had died because of the strain. I could not work anymore and I went on leave without pay.

Having lost my a pay check, I applied for food stamps. I was told to use my husband's income for that month. Then the caseworker told me I was a $1.27 over the income eligibility and they could not help me.

A friend told me about the WIC program. Through WIC I found out I was eligible for the food, because I was having problems with my pregnancy. Not being able to pay bills, or buy food, we were forced to moved in with my mother's crowded house.

my son Tyrell was born- delivered by Cesarean on April 10, 1984. Normal safe and healthy, while his twin was still born. I took Tyrell home to a big celebration.

During a routine WIC visit, the nurse found that Tyrell was anemic. The WIC program provided me with iron fortified formula, and a doctor friend provided free samples of a drug Tyrell needed. Tyrell quickly recovered. I am very thankful for the WIC program.

I was looking forward to getting my life in some order. I returned to work as a Teaching Assistant part-time. Only working part-time I could not afford day care, all of my paycheck was going for child care. As pressure mounted I resisted going to Social Services, because I had always said I would not go on public assistance. But never say never, because you do what you have to do for your children.

So, I called the Department of Social Services and asked for an appointment and an application. It was at this time I learned I could receive Social Security Survivor Benefits. Unaware I had the right to such benefits I went to the Social Security Administration the next day because my son had a doctors appointment in the next building. I decided to go and talk to someone and ask if I was entitled. I filled out this long drawn out form. The worker told me they would contact me if they needed any information or send a letter saying when I would start receiving checks, if any.

It was in July that the Doctor informed me that my baby had baterial meningitis. Fortunately, the next week I received a letter saying I was entitled to AFDC, Food Stamps, and Medical Assistance and a check would follow in a few weeks.

This letter was followed by a letter from the Social Security Administration (SSA) saying I wasn't going to receive survivors benefits. I asked them to recheck their information, because the they said my oldest son was born before the marriage and the baby was born nine (9) months after his father's death. Social Security said no, their information was correct. It wasn't.

In August 1984, I received one check for food stamps and a medical assistance card for six (6) months. I still received denial letters from Social Security. I went to Social Security 4 or 5 more times to try to explain my side without success.

In September, I started having eye problems. When one eye infection would clear another would come. My eye problem progressed and so did my battle with the Social Security Administration. A friend who worked at the SSA office was helpful in keeping me up to date on the status of my application.

Doctors told me that stress was the caused of some of my problems but they had no root cause for the problems with my eyes. Social Services cancelled my Medical Assistance card, because I had a claim in with Social Security. Now I have no medical insurance for me or my children. In January 1985, with the help of a patient doctor my eye sight returned.

When my eyesight returned, so did my confidence. I continued my battle with the Social Security Administration. I also began babysitting and tutoring. After more than a year of struggle, I finally received a Social Security check in August 1985. I received $6,500 for the children of William Taylor. The letter enclosed said this amount was for back monies and I would receive $770 a month.

Shortly after getting the Social Security check my mother moved out of state and I had to get a place on my own. A girlfreind helped me get an apartment for $605 a month. Finding it tough to make ends meet on a $165, after paying rent, I reappliec for Food Stamps. I received $18 the first time and $23 after that for six (6) months. I asked why the amount was so small, and I was told that it was all my household income needed to be supplemented. I was turned down for Medical Assistance because my income was too high.

In January 1986, I started having problems with my eyes again. This time I did not have any medical insurance. So I was told about SSDI. I checked into SSDI, and was told that my children's money would be cut in half and the amount I would receive would not make up the difference. I declined the SSDI and kept the Survivor's benefit check for the kids.

In an attempt to resolve my eye problem I went to the Washington Hospital Center Eye Clinic, in Washington, DC. I was hospitalized and diagnosed as having Auto Immune System disease called Shuguns disease. Shuguns is a disease in which the body attacks itself. My illness causes my eyes to dry up and arthritis in my joints.

By this time what little money, I had was gone. My medical, food and shelter expenses has consumed most of my savings. While in the hospital I was told I was eligible for Food Stamps and Medical Assistance. The nurses were correct, if I lived in DC, but not in Maryland. I was over scale for Medical Assistance and my Food Stamps were cut to $11.

I started tutoring neighborhood kids to earn some extra money for food and utilities. There were times when money ran short and we had no food; however, the foods I received from WIC helped. We would not have made it without the WIC foods. There were times when the eggs and cheese WIC provided served as breakfast and dinner.

There were also times when my son would say, mom, I know you just fed me, but I'm still hungry. This hurt me more than any knife, especially when there was no food in the cupboard. When I could I would get food from a pantry, but most of them were either too far or not on a bus line, so they were not accessible to me. At least when my kids were on WIC, I knew there would be some food in the house. We also got by with the help of family, friends and a few enemies. Times are better now and I have found myself helping out some of my neighbors and friends, because I know how it is.

It has been a struggle since my husband died. It seems for every two steps forward I take, I take one step back. But we have kept moving trying to stay a head of unexpected medical costs.

In December 1988, money was tight so I applied for food stamps again. I did not have money for Christmas or food. I received a letter saying that I eligible for $7.00 worth of Food Stamps. As I said earlier, I never wanted a handout, all I wanted was a helping hand to help me get through a difficult time. That's why I walked down to the Social Service office and told them they could keep their $7, because that was not going to feed my kids. It was at this moment that I promised my children and myself that I would not let my children go hungry again.

But high utility bills or medical expenses takes away from my food budget. If I could get $125 worth of food stamps then I could purchase a freezer. A freezer would allow me to take better advantage of the offers of fish and fresh vegetables friends offer me. A medical assistance card

would allow me to take my kids to the doctor and dentist for preventative health care.

I am now helping others. The leadership training I received through the Head Start program and help from the Maryland Food Committee has enabled me to start the Community Leadership Education Organization (CLEO) of Prince George's County. This voluntary organization monitors the WIC program in the County. CLEO helps others in the community know their rights. We also are working to get food pantries in Head Start centers to meet the needs of parents in the community. Locating a pantry in a Head Start centers will address the transportation problem, because parents are allowed to ride the bus with their child.

It has been through my work with CLEO that I have seen other families struggling to made ends meet. Increases in food prices, gasoline, and I sure heating oil will make just that much harder for families who are living just above the poverty line to stay above it.

Things are better now for me. I have moved into a house and my rent is subsidize. However, I will continue to educate low income people that they are people regardless of their circumstances, and they have the right to be treated with respect and dignity.

I thank you Mr. Chairman for the opportunity to speak to this Committee.

Prepared Statement of Carla Fisher, Private Citizen, Landover, MD

Good morning, Mr. Chairman and members of the Committee, my name is Carla Fisher. I am one the 300,000 civilian federal employees in the Washington area that received a furlough notice. Ironically, I work at the Department of Commerce. A department interested in business development and expansion was 8th in terms of the number of employees who received furlough notices, 39,000, according to the Washington Post.

The past several weeks have been difficult ones for me. You see right now, I have a tough time making ends meet. I live in a two bedroom apartment with my three kids, ages 12, 13, and 18, and my mother. Heaven forbid if I actually get furlough. I say if because nothing is certain. Failure of the budget to pass Congress by Friday could result in furloughs next Monday.

My notice says that I could be laid off for 24 hours per pay period up to 176 hours. I can't afford to lose 176 hours of pay. Yet, our questions about health benefits and other concerns go unanswered. This makes for a stressful situation.

Congress needs to know that while you debate the merits of the budget bill people like me lives hang in the balance. The mental uncertainty that I and other federal workers face is almost as tough as being furloughed. Questions such as: Do I get a part-time job? How will I pay the rent? How will I feed my family? Questions that may only be questions or become hard realities. Creditors don't care about uncertainty they just want payment.

In the coming days members of Congress will have to make a difficult decision. I understand what it is like to make difficult choices. I make them every month. The $20,000 a year I make does not go very far these days. My average expenses are:

$200 - 400	for food
$580	for rent
$100	for metro
$ 30	for electric/gas

My expenses are such that there just isn't anything for left for entertainment or extra. My children and I don't receive any welfare assistance. I have received assistance with my rent from my church.

My mother does receive approximately $400.00 a month from social security and food stamps. This is clearly not enough to live independently. And changes in Medicare will not only affect her, but me as well. Because any expenses she is unable to pay I would try to help pay the best I could.

As of October 1, my rent is $550. However, now I have a new gas bill to pay. I am trying to get into Section 8 housing, where my rent would be $543 or less a month. The only problem is I have to come up with $1200 by the end of October in order to move in November. Moving would be a big help to my family because it would give us more room, four or five bedrooms, for less rent.

Food Stamps would be a big help. Food is the most flexible expense I have, so any assistance with it would help me pay other bills. Now we buy food in family packs and try to make them stretch. My children qualify for reduce school breakfast and lunch which helps because the cost of lunch (full price) has risen to $1.45 a meal or $21.75 a week for three. So paying the reduced price allows me to stretch my food dollars.

Some of the people at work have talked of getting a part-time job. I don't know. If I am furloughed I must get a second job. Last week, I saw people from all walks of life asking for assistance to pay their rent. The working class is suffering, while the rich seek a tax brake.

Besides the furlough I worry about the cost of living. We need a better cost-of-living wage, but I doubt that will occur now. Rising food prices along with increases in metro rail prices seriously affect me and my family. I don't have a car. I would love to have a car, but I can't afford one.

I wish you could see the world from where I sit. Then you might realize that while a family of four living on $12,700 is classified as living at the poverty level. The same family living on $20,000, approximate 180 percent of poverty, isn't much better off and lives from paycheck to paycheck. You might realize that we need more affordable housing for people making less than $30,000 a year. Housing with rents less than $500 a month. You might realize that fuloughing or laying off federal workers doesn't decrease federal spending, rather it increase federal spending. Federal spending is increased when just above "poverty" lose income and become eligible for welfare or unemployment benefits. Finally, you might realize that the old ways are not good anymore, it's time for a change.

Tomorrow I will participate in the Maryland Food Committee's, a statewide anti-hunger organization, Annual Conference. I will do so as a member of the Community Leadership and Education Organization of Prince George's County (CLEO). CLEO encourages self- sufficiency. We help low-income women through the welfare maze, share food resources, monitor human service delivery, attempt to influence public policy, and train women for community leadership and project management.

It is our hope that the number of CLEO groups will spread throughout Maryland and empower low-income women to become self-sufficient. Teaching skills that lead to self-sufficiency will truly save money in the long term.

Mr. Chairman I thank you for the opportunity to speak to this Committee.

MEASURING POVERTY

How we measure poverty is important: it signifies our progress in combating poverty and determines eligibility for Federal programs that aid the poor. Different measures may lead to different perceptions of the population in poverty and, ultimately, to different policy priorities.

The present method of measuring poverty was devised in 1963 using food consumption data from a 1955 survey. While the Census Bureau adjusts the estimates to account for increasing prices each year, the basic methodology for measuring poverty has remained virtually unchanged since its inception. That methodology takes the Department of Agriculture's lowest possible cost for a nutritionally adequate diet (the "Thrifty Food Plan") and multiplies that cost by three, under the assumption (based on the 1955 survey) that a family normally spends about one-third of its budget on food.

The present methodology has received many criticisms. One (popular in the past decade) is that in-kind government transfers (e.g. Medicaid and food stamps) are not considered income in computing the poverty line, thus overstating the rate of poverty in the United States. Counting such benefits as income, however, would have a rather modest effect in lowering the poverty rate.

Other critics suggest that the official poverty statistic understates the rate of poverty. They charge that, among other things, it fails to reflect changes in family needs, consumption patterns, and perceptions about the minimal standard of living in the United States. For example, it is presently assumed that a family spends about one-fifth of its income on food, with larger portions of its income going towards housing and child care. It is also true that certain items, like telephones and electricity, were not considered necessary in the 1950s but are today. These critics demonstrate that if the poverty rates properly considered these changes in needs, consumption patterns, and perceptions about the minimal standards of living, the rates would be about 50 percent higher.

Poverty is ultimately a normative concept and, accordingly, its measurement cannot be reduced to statistical analysis. Nonetheless, it is crucial to measure, in the most accurate way possible, our progress against poverty and to provide a reasonable basis for determining eligibility for programs that aid the poor.

Attached are the official poverty figures just released by the Census Bureau and the summary of a Joint Economice Committee study on alternative measures of poverty.

ALTERNATIVE MEASURES OF POVERTY

A Staff Study Prepared for

The Joint Economic Committee

October 18, 1989

EXECUTIVE SUMMARY

The Census Bureau's annual poverty statistics provide an important measure of the effectiveness of our policies to aid the low-income population. By highlighting the unmet economic needs of American families, they inform our policy choices and help set budgetary priorities.

A New Poverty Measure. Census is releasing two sets of poverty estimates for 1988 -- one calculated using the "official" poverty thresholds, and one calculated using a new set of thresholds based on a revised price index. Under our official measure, poverty is still at very high levels, especially for a period of recovery, but under the revised measure it is now approaching the levels of the 1970's.

Revised Estimates are Misleading. While the specific price index used in the new measure is reasonable, it is misleading to make this change without adjusting for other changes in consumption patterns. Our current poverty measure is based on consumption data collected in the mid-1950's, and major changes in relative prices and in spending patterns have occurred since then. In particular, housing costs have increased significantly, and child-care costs have become an important part of the low-income family's budget. If our poverty thresholds were updated to take account of these changes they would be higher rather than lower, and poverty rates would be higher as well.

Alternative Measures Result in Higher Poverty Rates. This study examines two sets of updated poverty thresholds -- one which has been adjusted only for the growth in the median family income since 1967, and one which has been updated using the original methodology, but with new data on family consumption patterns. Both of these thresholds result in higher poverty rates than the official measure.

SUMMARY TABLE. POVERTY THRESHOLDS, POVERTY RATES, AND CHANGE IN THE POVERTY RATE UNDER FOUR SETS OF POVERTY MEASURES

	Level of Threshold in 1987 (3 Persons)	Poverty Rate in 1987	Change in Poverty Rate, 1982-87
Poverty Measure:			
1. Official	$9,056	13.5	-1.5
2. Threshold Indexed by CPI-X_1	8,237	12.0	-1.2
3. Threshold Indexed by Change in Median Income	10,317	16.1	+0.8
4. Threshold Calculated Using Updated Consumption Data	14,308	24.1	+0.9

SOURCE: Calculated from the Current Population Survey.

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MEDIAN HOUSEHOLD INCOME UP IN 1989, POVERTY RATE UNCHANGED, CENSUS BUREAU REPORTS

Real median household income rose 1.3 percent in 1989, to $28,910, a report from the Commerce Department's Census Bureau shows.

The increase follows two consecutive years when real household income remained unchanged.

The 1989 poverty rate of 12.8 percent was not significantly different from the 1988 rate. The 1989 total of 31.5 million persons below the government's official poverty level was unchanged from 1988.

The report, "Money Income and Poverty Status in the United States: 1989" (advance report), shows income and poverty figures based on pre-tax money income only. Another report released today by the Census Bureau, "Measuring the Effect of Taxes and Benefits on Income and Poverty: 1989," shows how taxes and noncash benefits affect the distribution of income and prevalence of poverty.

The real median income of households in the Northeast rose for the seventh consecutive year, up 2.4 percent from 1988 to $32,640. The median also rose in the West, to $31,090, but remained unchanged in the South at $25,870 and Midwest at $28,750.

Census Bureau press releases also are available on their release date through the Bureau's online information service, CENDATA™. For information, phone (301)763-2074.

Black households had a real income increase of 5.1 percent, to $18,080, while the incomes of White households ($30,410) and those of Hispanic origin ($21,920) did not change significantly from 1988.

The report also shows that the median income of Asian or Pacific Islander households at $36,100 was higher than the White median. At least part of this difference is associated with the larger size of Asian or Pacific Islander households since income per household member was about the same for Asian or Pacific Islander and White households.

Bureau analysts suggest using caution when interpreting the aggregate data shown in the report for Asian or Pacific Islander and Hispanic households because the totals may not reflect conditions of individual subgroups making up these populations.

Median family income in 1989 was $34,210, up 1.4 percent from 1988 in real terms. Real median family income has increased in six of the last seven years, with only 1988 showing no significant change.

The real income of married-couple families increased by 1.1 percent to $38,550, while there was no significant change for families with a female householder, no husband present ($16,440).

Real median earnings of women working year-round and full-time increased by 1.8 percent to $18,780, while those of men declined by 1.8 percent to $27,430. This was the second consecutive year in which earnings declined for men working year-round and full-time. The male/female earnings ratio was .68 in 1989, an all-time high. The ratio has increased from .60 in 1980.

Per capita income increased by 2.2 percent to $14,060. White per capita income showed a real increase of 2.3 percent, to $14,900, while that for Blacks ($8,750) and Hispanics ($8,390) showed no significant change (the latter two figures are not significantly different from one another).

The report also examines the rise in income inequality over the last two decades. In 1989, the highest 20 percent of households received 46.8 percent of the total income received by all households, higher than the comparable figure for 1969 (43.0 percent). This change was accompanied by somewhat lower shares going to the lowest 20 percent and middle 60 percent of households. The report examines some of the demographic factors that may partially explain the growth of income inequality over time.

The report notes that both the number of poor (31.5 million) and the poverty rate (12.8 percent) have declined since the most recent peak in 1983 (35.3 million poor and a poverty rate of 15.2 percent), but both remain above the most recent lows in 1978 (24.5 million poor and a rate of 11.4 percent).

Half of the nation's poor in 1989 were either children under age 18 (39.9 percent) or persons age 65 and over (10.7 percent). The poverty rate for children continues to be higher than any other age group (19.6 percent). No age group had an increase in its poverty rate between 1988 and 1989.

The poverty rates for Whites (10.0), Blacks (30.7) and Hispanics (26.2) did not change between 1988 and 1989. For Asians or Pacific Islanders, the largest component of the remaining race groups, the poverty rate was 14.1 percent in 1989, a decrease of 3.2 percentage points from their rate in 1988.

As has been the case since 1985, the Northeast had the lowest poverty rate (10.0) among the nation's four regions. No region had a significant change between 1988 and 1989. The South continues to have the highest poverty rate (15.4 percent); the South, with 34 percent of the nation's population, has a disproportionately large share of the nation's poor (41.0 percent).

The poverty rate for families was 10.3 percent, unchanged from 1988. It was lowest for married-couple families (5.6 percent), who were 43.2 percent of all poor families, and highest for families with a female householder and no spouse present (a poverty rate of 32.2 percent). About 51.7 percent of poor families were of this latter type, a figure not statistically different from that for 1988.

The average poverty threshold for a family of four was $12,675 in 1989 and $12,091 in 1988.

Copies of this advance report, P-60, No. 168, may be purchased for $7.50 each prepaid from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (202-783-3238). The GPO stock number is 803-005-30015-3.

The second report released today by the Census Bureau shows the effects on income and poverty estimates when income and payroll taxes are subtracted from the income definition and when selected sources of income (including noncash benefits) are added to the definition.

The data are based on experimental techniques that assign values to noncash benefits including food stamps, school lunches, rent subsidies, Medicare and Medicaid coverage, employer contributions to health insurance, and the estimated income that is derived from home equity. "Measuring the Effect of Benefits and Taxes on Income and Poverty: 1989," presents estimates for 1987 through 1989. (The report, P-60, No. 169-RD, is available from the GPO for $8.50, stock number 803-005-30016-1.)

According to the study, the use of a broadened definition of income that includes the effect of taxes, cash and noncash benefits, capital gains, and net return on home equity results in a more equal distribution of income than under the official definition. The effect of government transfers in reducing income inequality is considerably greater than the effect of taxes.

The use of a broadened definition of income has a significant impact on comparisons among population subgroups. Under the official money income definition, the median income in 1989 of Black households was 59 percent of the White median. The use of a definition of income that has been broadened to include the effect of taxes and noncash benefits results in a ratio of 66 percent.

The ratio of the median income of Hispanic to White households was 72 percent in 1989 under the official money income definition. It rises to 77 percent under the broadened definition.

The report also presents data on the effect of taxes and benefits on the prevalence of poverty. The use of an after tax income definition that includes the value of capital gains, employee health benefits, and noncash benefits would reduce the official poverty rate in 1989 from 12.8 percent to 10.4 percent. An analysis shows that nonmeans-tested government cash transfers, primarily Social Security, had the greatest effect on poverty estimates.

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